Daily Report

East Europe

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Russian Embassy Accuses Newspaper of Deception

AU0609171494 Sofia Khorizont Radio Network in Bulgarian 1300 GMT 6 Sep 94

[Text] A letter from the Russian Embassy Press Service received by the BTA reads:

The Russian Embassy expresses its indignation at the fabrication of the DNEVEN TRUD daily of 6 September entitled "KGB and CIA Invited Ludzhev to Sheraton."

Ambassador Avdeyev has never taken part in a meeting with U.S. Ambassador Montgomery and Mr. Ludzhev. The photograph that accompanies the report is a photomontage.

The question arises of who was interested in this report and what goals he was pursuing. Against the background of the existing political situation why was the Russian ambassador's name involved in a meeting of Mr. Montgomery and Mr. Ludzhev, the letter asks in conclusion.

BSP Proposes Cabinet Continue as Caretaker

AU0609141794 Sofia Khorizont Radio Network in Bulgarian 1300 GMT 6 Sep 94

[Text] The Bulgarian Socialist Party [BSP] will agree that the cabinet's resignation be accepted, but it will call for the cabinet to be given a mandate for a few additional weeks in order to allow it to continue the negotiations with the international financial institutions and its work in certain important joint intergovernmental commissions.

BSP leader Zhan Videnov told a news conference today that the efforts to resolve the country's basic problems should not be neglected. This includes financial stabilization, privatization, the distribution of land, the struggle against crime, the reform in the army, and so forth.

The BSP will propose to the president that he ask the current cabinet to act as a caretaker cabinet for about two months, until early elections are held.

The BSP supports expanding contacts with all parliamentary forces in order to discuss the cabinet crisis, the mandate to form the cabinet, and the attitude toward the Election Bill. The BSP parliamentary faction is currently dealing with these issues at its first meeting after the vacation, which is taking place today.

Club for Democracy Supports New Elections

AU0309165094 Sofia Khorizont Radio Network in Bulgarian 1600 GMT 3 Sep 94

[Text] The National Council of the National Club for Democracy has decided not to support forming a new cabinet by the current parliament.

The 30 participants in the council's meeting, which took place in Sofia on 3 September, adopted the draft of the political agreement of the parties and organizations that form the Union of Democratic Forces [SDS] and authorized Petur Stoyanov, deputy chairman of the council, to sign it.

A draft decision on primaries among the SDS supporters was adopted in principle. It was proposed to form a working group in charge of the primaries' technology.

A proposal was made to authorize the SDS parliamentary faction to work out a draft decision on moratorium on all privatization deals.

SDS Names Election Staff Head, Expels Sugarev

AU0609180294 Sofia Khorizont Radio Network in Bulgarian 1600 GMT 6 Sep 94

[Text] Today, the National Coordinating Council of the Union of Democratic Forces [SDS] elected Mr. Valentin Vasilev from the Democratic Party as chairman of the SDS Election Staff. As Mr. Filip Dimitrov said, Mr. Vasilev was elected as a representative of a party that is not a members of the SDS. However, according to the SDS statute, there was no obstacle to this, Mr. Dimitrov said.

Mr. Evgeni Mikhaylov was elected deputy chairman of the SDS Election Staff. This is a new post, which was established today.

At a subsequent meeting in the afternoon, the SDS parliamentary faction decided with 46 votes for and 26 against to expel Edvin Sugarev from its membership. The proposal was made by the Radical Democrat Mikhail Nedelchev, who cited Mr. Sugarev's past statements, which insulted the SDS, as the reason for his proposal.

Mr. Sugarev described his expulsion as an insignificant act of revenge.

The meeting of the SDS parliamentary faction also discussed the SDS's future strategy and the behavior of the SDS deputies while voting on the cabinet's resignation.

Deputy Georgi Markov spoke about the reasons why the SDS lost its influence among the voters. He blamed Filip Dimitrov, SDS leader, for this. Mr. Markov told the journalists that he intends to inform President Zhelev about the developments in the SDS and about the readiness of the SDS to assume power again. Mr. Markov's colleagues described this as Mr. Markov's personal opinion. Otherwise, the meeting of the SDS parliamentary faction was rather stormy and dramatic. Insults were traded. The meeting is still continuing. The decision regarding how the SDS parliamentary faction will vote on the cabinet's resignation will be adopted tomorrow.

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Dzherov on Ties With Voters, SDS Politics

94BA0399A Sofia VEK 21 in Bulgarian 17-23 Aug 94 pp 1, 7

[Interview with Aleksandur Dzherov, deputy chairman of the RDP and chairman of the National Assembly's Legislative Commission, by Mariana Kirova; place and date not given: "The People Cannot Understand Why We Are Deserting"]

[Text] *Interview given to VEK 21 by Aleksandur Dzherov, deputy chairman of the RDP [Radical Democratic Party] and chairman of the Parliamentary Legislative Commission.*

[Kirova] Mr. Dzherov, considering the heavy workload of the Legislative Commission, which you chair, do you have time for direct meetings and talks with your voters?

[Dzherov] I was elected in both Vidin and Kyustendil electoral districts, for which reason I consider myself a national representative of both districts. I received the votes of the people in those areas and established ties with them during the electoral campaign. I am familiar with the settlements in those areas and the problems of the population, their aspirations, needs, and views on a number of issues. Despite my tremendous workload I meet with the people from these districts. I do not simply visit Vidin or Kyustendil but the small settlements as well.

[Kirova] In which city do you have your office?

[Dzherov] I have offices in both Kyustendil and Dupnitsa. I frequently hold meetings in Kocherinovo, Rila, Boboshevo, and Bobovdol. I maintain an office in Sofia as well. Furthermore, I receive many letters from all parts of Bulgaria, about 100 a day. I am unable to answer all of them, but correspondence is a way of keeping in touch with the voters.

[Kirova] What are the questions most frequently asked in the letters and discussions with you?

[Dzherov] Basically I can distinguish between two types of problems—personal and social. The personal involve encroachments on the property rights of the citizens. I detect in many court decisions erroneous applications of the laws. Unfortunately, I am helpless to offer direct help, for I have no right to interfere in the work of the judiciary. All I can do is guide the people. I have written to the courts about the complaints and offered written defense and petitions for review. This is one aspect of the problems. However, the people are interested in the political processes as well and express their views on them and their pain caused by what is taking place in our country and in the Union of Democratic Forces.

[Kirova] What is the most frequent advice you receive from the people who elected and rely on you?

[Dzherov] My electorate and I have a perfect understanding of the fact that when a person is a national representative he must be clean and impeccable and follow a political line that would contribute to Bulgaria's good. I hear a great deal of criticism from the voters on the recent activities of the SDS [Union of Democratic Forces] National Coordination Council, and it is entirely natural for the rating of the blue coalition to have dropped. The people cannot understand the reason why we abandoned our obligations as deputies and deserted at a time when important laws are being passed. The voters see that when the SDS parliamentary group participates in the work of the parliament, it can achieve a great deal, albeit at the cost of incredible difficulties. The people also see that most members of the SDS parliamentary group are people who care for Bulgaria, people whose names are known throughout the country, although it also includes other people and structures totally unknown to anyone. I am pleasantly surprised by the fact that the voters are quite well-familiar with statements made by SDS deputies in parliament.

[Kirova] In your view, what type of contacts with the people is more beneficial to them—discussions in your office or mass meetings?

[Dzherov] I have reduced the number of meetings with the people in public halls. This is a forum which, in my opinion, is not particularly useful to the people. That is why I prefer office meetings. In Dupnitsa, for example, in a single month I had three such meetings because there were a number of people who needed help. In Kyustendil, conversely, a scheduled meeting was four weeks late, but I was still unable to hear out all the citizens who wanted to meet with me personally. I do something else as well: In a settlement I may stop not only in the SDS club but on the public square or on a bigger street or even in a coffeeshop or a pastry shop. These are among my most fruitful discussions. I do not ask the people their party affiliation but ask what their problems are. I realize that many members of the former Communist Party understand the errors of the past. Many among them agree with me that the process of democratization that was undertaken by the representatives of the democratic groups is the better way. I prefer this type of unrehearsed meetings, for at that point I am not facing selected people as, unfortunately, some representatives of the SDS do by choosing people with whom to hold discussions. Naturally, this creates in their minds some kind of false personal image. The citizens have real problems—the non-application of the Law on the Land by the executive authorities, or the inaction of the judicial authorities. How is it possible that last year only three percent of criminals were sentenced? I would even say that the judicial system is remaining deliberately inactive. This may be intentional in order to create chaos in our country. The people believe that the passive attitude of the judicial powers is due to the lack of laws. Yet the Penal Code could be efficient. Naturally, we must improve it. However, its basic provisions are not being applied.

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[Kirova] Mr. Dzherov, in addition to your legislative activities, you do scientific work. What are you working on currently?

[Dzherov] Within a single year, PROPERTY LAW had two editions. The the second edition was revised. A third edition may become necessary. This will make it necessary for me to make new additions. Furthermore, the second edition of *Legal Problems of Restitution* was published; in it I tried to combine legislation with commentary. This makes the book useful to a broader circle of people, and not only to lawyers. Currently, I am working on the general part of the civil law. The first part is already completed, and I am about to start work on the second part.

Commentary Contends Berov Bound To Fail

AU0709070694 Sofia KONTINENT in Bulgarian 3-4 Sep 94 p 4

[Commentary by Dragomir Draganov: "Aspirations and Reality"]

[Text] The political motivation that prompted the appointment of the Berov cabinet 20 months ago was by no means objectionable. After the failure of the Union of Democratic Forces, the country needed a government that would at least not behave like an alien occupation force.

With some goodwill, the new solution could have been successful. The new cabinet could rely on sufficient parliamentary support. The president deprived himself of his only suitable adviser recommending him for the post of prime minister. However, in the long run, things developed in a typically Bulgarian manner.

All political forces that supported the government demanded their reward, which had to be paid. In the case of the Bulgarian Socialist Party, it was the right of ruling the country from a distance without assuming any responsibility. The small parties insisted on being granted cabinet seats, but their responsibilities also remained unclarified. Thus, from the very beginning, the government was manipulated into a position of deadlock, acting under the pseudonym of an "experts" cabinet, whose most "distinguished" exponent was the notorious "phenomenon" called Neycho Neev.

It soon appeared that the Berov cabinet could not rely on a very solid parliamentary support either. The political forces evidently preferred to keep the executive power at bay, while Bulgaria was being sold out under the counter. Even the most uninformed people in our country have realized that the political forces are not in the least concerned about the economy, about safeguarding national security, about combating corruption and crime, as it clearly appears from the results of their activities. This is the reason why a decent and competent man such as Professor Berov was bound to fail.

It is now the turn of his critics to try their hand. The Bulgarians have not forgotten that they are living in the land of experiments.

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Czechs Oppose Joint Visegrad Action on NATO

LD0609201994 Prague Radiozurnal Radio Network in Czech 1900 GMT 6 Sep 94

[Text] Jiri Pospisil, first deputy defense minister, spoke today at a news conference about the meeting of the Visegrad Group defense ministries' representatives in Bratislava yesterday. He said that the Czech side is blocking the idea of joint action by Hungary, Slovakia, Poland, and the Czech Republic regarding NATO. He added that this was also the reason the Defense Ministry recommended that Defense Minister Antonin Baudys should not attend the meeting.

On the other hand, according to Pospisil, the ministry is not against cooperation between the individual countries—in particular, with regard to an exchange of experience.

Klaus Discusses Mandatory Balanced Budget

AU0709112494 Prague HOSPODARSKE NOVINY in Czech 5 Sep 94 pp 1, 3

[Interview with Prime Minister Vaclav Klaus by Olga Skalkova and Martin Frydl; place and date not given: "The ODS Initiative Already Had a Favorable Effect, Vaclav Klaus Says"]

[Text] [HOSPODARSKE NOVINY] What led the ODS [Civic Democratic Party] Executive Council to the decision that a central law on a balanced budget is necessary?

[Klaus] The Executive Council was guided by its awareness that we are facing yet another round of the standard, annually repeated budget drama. I am experiencing it for the sixth time now, and I know what it means every year. The voices that were heard, although they subsided somewhat—and I believe this was not only as a result of the aforementioned ODS initiative—made us very anxious again this year. We have contemplated for a long time how to contribute to the rationalization of this annual drama. Everybody well knows that the budget issue was a key question for the ODS. After all, the social transformation began with the 1990 budget, the provisional budget for the first three months and the first weighed budget approved in March 1990 retrospectively for the entire year. It is no coincidence that, at that moment, Svejk and "Take it easy" [maxim of the fictional good soldier Svejk who is said to typify Czech nature] were replaced as a symbol by savings banks and tightened belts. If there is something that symbolizes the entire conversion of our country and the rejection of the entire regime system, it is precisely this. That is why the balanced budget is so fundamental. The transfer of this sentence to its legal form is basically just a period, the icing on the cake.

[HOSPODARSKE NOVINY] Mr. Prime Minister, you are an advocate of liberal economic theory, which states that the state should interfere in the direction of society as little as possible. Is it possible that the Executive Council was led to its proposal more by this notion, or by other, pragmatic objectives, such as the results of some future elections, for instance?

[Klaus] I understand the analytical separation of these elements of the matter, but, in fact, the problem is interconnected. It not only has its annual, and only the long-term, plane, but, rather, the one side is linked to the other. The idea is fundamental, and we are all dealing with a very complex notion. This is, as I have mentioned several times before, the movement along the temporal axis of the past, the present, and the future. Our substantial criticism of the communist regime led along lines that nowadays are not often emphasized.

That is, communism lays extreme emphasis on the present. Communism was a regime that completely degraded the past in all its aspects and plundered it not only materially but spiritually as well. In the same way, then, although communism brandished the future, it existed to its detriment. For me, this reasoning has always been food for thought. The idea of rendering it impossible to pass on less than one inherits, thus burdening the future, is a matter that has long interested me immensely. It is no accident that not only the extreme left wing—that is, communism—but also the moderate left wing, social democracy, are a form of tremendous living in the present. I believe that the more we manage to limit this in some way, to block it, to make it difficult, the better.

[HOSPODARSKE NOVINY] Is there any possible situation that would make you accept a deficit budget?

[Klaus] I do not consider it necessary to place ourselves at extremes. A nuclear war or an extremely large earthquake are extraordinary moments that would certainly necessitate a certain solution in any country of the world, regardless of what is written in the code. To place this issue at extremes, however, seems to me like avoiding the essence of the matter because the essence is much plainer. Nevertheless, if you ask me whether I can imagine a situation that would require a deficit budget, then yes, I can. It would necessitate a somewhat lengthier explanation, however, a lengthier debate. In our country, discussions about the deficit financing of the state budget are usually motivated by the idea that we are short of money. We do not have money for desulfurization of lignite power plants, the modernization of the Army, fast cars for our police, for government employees' salaries. There is no money, so we should go into deficit. That really is almost a textbook mistake, and I must polemicize. Not a single economist, be it on the Keynesian side or the monetarist side, has ever claimed this. A budget deficit means only a transfer of money from one place to another, from the private sector to the state sector. When I refer to sector, I mean the classification of national accounts rather than ownership.

Some economists—and this is subject to great dispute—have defended the favorable effect of the state budget deficit for reasons not of the shortage of money but,

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rather, the shortage of effective demand. A noneconomist may fail to appreciate this minute, fine difference, but an economist knows that therein lies the magic of the entire debate. The shortage of effective demand is a situation when there is enough money, but it lies fallow, and, therefore, the economic potential of production in the country is not utilized. Thus, if the money were to lie fallow and one had to activate it, it might be good to introduce deficit financing. I am afraid, however, that those who argue to the contrary would not do well in an examination of this subject at a decent university. I have never heard that the problem in the Czech economy is money lying fallow and the shortage of effective demand. If effective demand is not lacking, deficit financing simply means that monetary spending of individuals or the private sector is replaced by the state sector, the state budget. No money is brought into the economy; it is only used elsewhere. So, I would not seek here a serious answer to such questions as at what moment, when possibly, how, and why.

[HOSPODARSKE NOVINY] It is also theoretically possible "to print" the money.

[Klaus] To print money is, of course, another variant of deficit financing, which, however, cannot lead to anything but inflation.

[HOSPODARSKE NOVINY] The entire issue of the balanced budget is very critical. Could you explain why you opted for the manner of presentation you chose? As a result, apparently, a very controversial, embarrassed, and very emotive reaction ensued, and not only from the opposition side.

[Klaus] First, I would say that the reasoning on how to legislatively anchor the balanced budget for many of us is not a chance idea but, rather, a part of lifelong deliberation and lifelong studies. I hope that this is clearly evident. Regarding the inclusion of this item on the agenda of the session of the Executive Council, I do not consider it necessary for the journalists to have this program handed out beforehand. Not because it is secret but because I do not see any reason in favor of it. If you happen to be really interested, however, item number-one was control—Deputy Chairman Petr Cermak; item number-two, current political situation—Vaclav Klaus; and the following item was Vaclav Klaus—state budget. Thereby, I only repeat that it was not a topic that came out of the blue. We decided to have the state budget as the first actual business item on the agenda rather than restitutions, for instance, or any other standard theme in our political life. I hope that this testifies to something. We have certainly discussed the form of this brief law many times with the main economic group of the ODS, which undoubtedly means Ministers Kocarnik and Dyba plus a group of our advisers. The comments that it is just a grand political gesture, a slogan versus actual content, does not fit here. If we disregard that, I do not consider it to be just a slogan because I am deeply convinced that it is a matter with a very important content that I still do not understand why there is such an outcry against an arresting idea, gesture, or symbol. After all, it is the intent of political life to come with a certain comprehensible, attention-grabbing gesture and idea and then play the theme. For a certain period of time, our Christian parties have played against us a very trite and false slogan "Return what has been stolen." No one reproaches them for daring to use something so trite and fundamentally indefensible. Another similar slogan that has been echoed here is "Twice is enough," or two offenses, and life sentence for the third one. I can respect the fact that someone dislikes our idea and, at the same time, the complication for the future governments in drafting the budget. I cannot accept, however, its perception as an offense against some political ethics or as a gesture. That is the meaning of politics.

[HOSPODARSKE NOVINY] Perhaps, if you had previously consulted at least some coalition partners on your intentions, their reaction would have been more favorable.

[Klaus] I would say that the coalition is against it only because they did not think of it sooner. From the very moment we said it, ODA [Civic Democratic Alliance] would have come up with it as its own idea. After all, you must have an idea that you express differently from the others.

[HOSPODARSKE NOVINY] You mentioned that the draft constitutional law should have just three lines. Will it be meaningful without legislation on maximum tax rates, for instance?

[Klaus] This is not the time for a long discussion about additional words, sentences, corollaries, additional paragraphs, or articles of such a law. Of course, I can imagine such addenda. It is just like stipulations of a different type that one discovers, for instance, when traveling to Latin America. Attempts to prevent amendment proposals if they affect the budget exist in numerous countries. There are states where a deputy, for instance, cannot propose an amendment if it would affect the budget. That is an important matter. I can imagine considering the introduction of many such blocking articles into our system of budget rules, but I would say that they are several dimensions lower—they could be included in the law on budget rules, for instance. I can imagine additional paragraphs or articles to this law if we wanted to strongly curb the excessive folk creativity regarding the state budget. Nevertheless, I would leave the constitutional law on the balanced budget alone as an independent matter that has a much greater scope.

[HOSPODARSKE NOVINY] Some of the public understand your proposal as a dictate and an obligation for the future, and they are rather allergic to this after the experience of the past.

[Klaus] It must be observed that it is a reverse relation, when the state is clearly blocked. Therefore, in my opinion, it is a step that is to the benefit of the citizens.

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It may not benefit a particular citizen, but it would have a general impact. You might have noticed that for about a year or a year and a half I have spoken often about the whole and parts. I was truly motivated when I was awarded the Ludwig Erhardt Prize in Bonn in May of last year and had to prepare a speech. I read about him, for this reason, and was truly fascinated by the war he waged at the time of the German economic miracle, the transformation of Germany from a postfascist country into a country both politically and economically normal. His thinking has always been toward the benefit of the whole. He led a constant battle against partial views of the world and partial pressures and said that "new feudalities" are standing up against the whole. The budget deficit is always aimed at someone and should bring an advantage to a certain group, while the balanced budget is in the interest of the whole.

[HOSPODARSKE NOVINY] Nevertheless, the political reality in the economically developed world is such that deficit budgets are common, and even the European Union has them enshrined in the Maaastricht Treaty conditions. If the bill you proposed were passed, what would it mean for the Czech Republic in the international sphere?

[Klaus] It certainly is a principle with which only a few can comply, and it is rare for someone to dare stand up against himself. On the other hand, it is a principle against which hardly anyone could argue. During a discussion at the ODS political caucus, my attention was drawn by a statement made within the framework of a passionate debate by Igor Nemec, a mathematician and a chess player and therefore a man with very exact perception, who voices his conclusion only on solid analysis, saying that he has not discovered a single counterargument in all the comments and replies made over the past two days. Numerous countries wanted to do this, but the political constellation simply did not make it possible. I cannot guarantee that the political constellation in the Czech Republic will be favorable to our proposal either, but I believe that just to table this issue has already had a tremendously beneficial effect. It was precisely this that was the objective of one law under Reagan. It was based on the enormous U.S. deficit, however, that could not be eliminated quickly. Therefore, this law stipulated a reduction of the deficit, which is certainly, in principle, the same thing. Moreover, in the early 1950's, a similar law was adopted in Italy.

[HOSPODARSKE NOVINY] So, what chances, do you believe, the bill has of being passed by the parliament?

[Klaus] I am not into arithmetic right now, whether this or that deputy could turn toward this side. I would like this consequential matter to be subject to a public discussion so every citizen realizes what it is all about and what our objective is. If it does not work out today, then perhaps tomorrow or the day after. I do not see it as a fundamental problem.

[HOSPODARSKE NOVINY] So, what are you going to do now?

[Klaus] We assigned the finance minister the task of taking into account all suggestions expressed in the discussion and the drafting of a preamble to the law. This will then be subject to the standard process—that is, the Legislative Council, the government, and parliament.

[HOSPODARSKE NOVINY] You said that the parliament should receive the bill at the same time as the draft budget for the next year.

[Klaus] If that happened, it would be good.

[HOSPODARSKE NOVINY] Do you believe that the citizens of this country are ready to accept the impact of the situation when the balanced budget is accompanied by a decline of its share in the GDP and, at the same time, a relative setback in the volume of funds for health care or education, for instance?

[Klaus] Now, we have added another aspect to the analysis. A healthy economy, state economy, public finances are one thing. The degree to which the state redistributes the generated product is another. Our orientation is absolutely clear. Every year we try to reduce the share of the state budget in the GDP, and we have certainly not reached bottom. The long-term minimum, however, certainly is not defined by a rational calculation but signifies social usage, a tradition, a degree of acceptance. If someone finds it insufficiently precise, I will have to polemicize, and I would say that each of us has in his ordinary life numerous objectives or resolutions. Undoubtedly, my objective is to lose weight or improve my tennis serve or perfect my English. Nevertheless, the objective is not, or at least I do not understand the possibility of an objective to lose 10 kilograms or improve my serving speed from 50 kilometers per hour to 100. Objectives are tendencies of direction, and I believe that it is totally unnecessary to define an absolute point for an objective.

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Keleti, Hansen Discuss Visegrad, Army Structure

LD0609204994 Budapest MTV Television Network in Hungarian 1730 GMT 6 Sep 94

[Quotation marks denote recorded passages]

[Text] NATO will be represented at the Visegrad Four's defense summit to be held in Budapest next May. This was promised by NATO General Helge Hansen when he spoke to Hungarian Defense Minister Gyorgy Keleti.

[Correspondent] General Hansen described his talks—held in Budapest yesterday and today—as honest and friendly meetings, which are customary among soldiers. The commander of NATO's Central European Headquarters has promised that he, as a soldier, will give every help to Hungary in joining NATO.

At their talks Gyorgy Keleti asked him about the way the Hungarian Army's structure could be brought closer to the internal structures of the armed forces of NATO member states.

[Keleti] "They will be able to advise us, and we will consider it. We, as a sovereign country, will determine the structure of our army—naturally, taking their instructions and advice into account."

[Correspondent] Gyorgy Keleti has briefed the general about the Visegrad Four's defense summit held in Bratislava yesterday. Accepting the minister's invitation, the commander said that NATO will also be represented at the Visegrad Four's defense expert meeting to be held in Budapest next May.

General Hansen considers cooperation between the four countries awaiting admission to NATO as more effective than individual endeavors for joining.

[Hansen, in English, with superimposed Hungarian translation] "I think it is always better to act together than just to try to enter to a race, to a competition for NATO membership. It is not exclusively an internal matter of the Visegrad Four states. In my view, this question has to be discussed with every NATO partner."

Horn Cited on Privatization, Pensions, Corruption

LD0709104594 Budapest MTV Television Network in Hungarian 0500 GMT 7 Sep 94

[Text] Gyula Horn promised that from now on pensions will keep abreast of inflation. Speaking in the Csepel Worker Center, the prime minister announced as objectives an efficient and transparent privatization and a pure public life. In return he asked the population to have patience so that these [well]-considered steps can be introduced.

[Unidentified correspondent] The prime minister considered it to be the greatest challenge to ensure harmony between wages, prices, and output. For this, according to the government's program, waste in the budget must cease; in other words, lower level state administration bodies and unnecessary measures must be eliminated.

The government also resolved to carry out privatization in a way which may be checked and controlled easily while taking into account productivity and employment considerations.

[Begin Horn recording] We must unconditionally break with the current privatization practice where a domestic or a foreign investor exclusively buys into a market. That practice is not what is needed. What is necessary are modern production and employment. [end recording]

Speaking about pensions, Gyula Horn declared a personal undertaking that pensions will keep abreast with inflation. He also promised that when sorting out the budget and the balance of payments the government will not take any measures without advance coordination with the trade unions and the employers.

It is part of creating a clean public life that parliamentary deputies should not be allowed to accept posts on the boards of companies in which the majority shareholder is the state or in bodies which supervise these companies.

The prime minister also considered unacceptable a system where wages, premiums, and golden handshakes run into millions of forints or the creation of private foundations from public money. Horn also stressed the need to reform court procedures in order to stop them lasting for years. Investigations to uncover dishonest means of acquiring wealth and corruption have already begun.

Goncz, Turkey's Demirel Speak at Budapest Dinner

TA0609110894 Ankara TRT Television Network in Turkish 2130 GMT 5 Sep 94

[Video report by Mumtaz Dizdarlar in Budapest]

[Text] President Suleyman Demirel laid a wreath at the Ataturk Monument in (Napegi) square in Budapest. Meanwhile, Romanian Foreign Minister Teodor Melescanu who is on an official visit to Budapest also laid a wreath at the monument.

In the evening, Demirel attended a dinner given in his honor by Hungarian President Arpad Goncz at the parliament building.

Speaking at the dinner, Hungarian President Goncz said that the good common memories between the two countries must be cherished while the ones that are not good must be overcome with a spirit of historical reconciliation. He pointed out that Hungary gratefully remembers that the Turks granted asylum to Prince (Rakoksi) and his friends and the moral support Turkey extended to the Hungarian people in the aftermath of the 1956 revolution. He said: For me, the Prince (Rakoksi) statue the Turkish Government erected in Tekirdag is the symbol of historic friendship, and the Suleyman the Magnificent

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monument His Excellency will open in Szigetvar tomorrow is the symbol of peace.

President Goncz stated that the Hungarian people are moving toward a European-type democracy, and that they want to benefit from the knowledge and experience of certain countries, including Turkey.

President Demirel was pleased by the friendly level reached by the relations between the Turkish and Hungarian peoples. He pointed out that the two peoples made significant contributions to each other both during the Ottoman Empire period and after the establishment of the Turkish Republic. He said: I am proud to say that with a sense of responsibility that stemmed from being great states, throughout history, the Turks and Hungarians never refrained from supporting each other's struggle for independence.

Recalling that Europe is reshaping itself, Demirel said:

[Begin Demirel recording] The world is seeking peace. [passage indistinct] [end recording]

President Demirel pointed out that the commanders of the war which took place in Szigetvar 428 years ago, Suleyman the Magnificent and (Miklos Srinyi), took their place in history. This historical event cannot be denied, he said, adding: Therefore, the two nations should not feel enmity against each other.

[Begin Demirel recording] I consider as admirable the establishment of the Turkish-Hungarian friendship fund and the construction of a monument, as a symbol of the passing away of the Suleyman the Magnificent, in place of his splendid ruined grave. This is a beautiful and meaningful sign of the friendship between our two countries. [words indistinct] [end recording]

The Turkish president stressed that Turkey appreciates Hungary's struggle for change, and the progress it has made on the way to a pluralistic democracy and free market economy.

[Begin Demirel recording] We are aware of the vital role Hungary—as an element of stability and peace in central and Eastern Europe—is playing for establishing peace in Europe. We also appreciate the (?daily) needs that result from this position. In this respect, it is significant that Hungary will host the CSCE follow-up meeting and CSCE summit in the coming months. There is no need for me to recall that we support Hungary's efforts to integrate in Europe and that we also have the same approach. [end recording]

Demirel stressed that the fundamental changes that took place in Europe gave a momentum to the development of the relations between Turkey and Hungary. However, he said, the process of change taking place in Europe in the wake of the cold war has not been able to bring the yearned-for peace, tranquillity, and development. He cited the drama in Bosnia-Herzegovina as an example.

President Demirel recalled that in the Caucasus, a significant amount of Azerbaijani land is under Armenian occupation. He said: The credibility of organizations responsible for international security will be undermined unless just, viable, and lasting solutions are found to these problems.

Demirel also pointed out that, with contributions by the businessmen of the two countries, it is possible to develop commercial relations and to cooperate in important projects in third countries.

MNB Chairman Advocates Economic Stabilization

AU0509195394 Budapest NEPSZABADSAG in Hungarian 3 Sep 94 p 10

["M.M."-initialed interview with Akos Peter Bod, chairman of the Hungarian National Bank, MNB; place and date not given: "A Gradual Shock Is Better—The MNB Chairman Advocates Stabilization"]

[Text] A two-day international conference is being held in the Hotel Gellert on the financial policy the former socialist countries should pursue. Akos Peter Bod, chairman of the MNB, made the opening speech on 2 September.

[NEPSZABADSAG] As you also mentioned in your speech, the "mixed," namely a radical, but gradual, economic policy proved to be correct in Hungary. In this case, why is stabilization necessary now, after four years?

[Bod] Until perfect market institutions are established, we cannot expect a one-off stabilization to solve all monetary problems of the economy. If we nevertheless dealt with all of this in one go, the huge price would not be worth paying. Stabilization is also needed because the 1990-1991 stabilization was based on relatively favorable foreign economic conditions. In addition to the MNB and the Finance Ministry, the OECD also made a mistake in giving positive forecasts for 1993. Since then we have learned that the European recession is deeper than we had expected. The fact that we are slowly entering the growth zone is another argument in favor of stabilization—imports are beginning to increase, but exports are not proportionate to this. Optimistic people begin to consume more and therefore savings are reduced, which pushes the interest rates upwards.

[NEPSZABADSAG] You also mentioned in your speech that the payment balance deficit is not the biggest problem. In this case, why is stabilization needed again?

[Bod] If the country was not indebted and could easily get resources then it would be possible to maintain the balance of payments deficit. However, since our debts are very large, we get nervous about the numbers after a while. However, we are not surprised at upsetting the balance precisely at a time when we are entering a growth course after a decline. The question is what level of the

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deficit can be maintained. On its part, the central bank has made the necessary steps—which actually attracted strong criticism.

[NEPSZABADSAG] Essentially, the state administration's deficit appears in the balance of payments deficit. The central bank has a determining role in financing the budget—in 1993, at the last minute, the legal limits on financing were "softened." Is it possible for this again to happen this year? Will you be able to resist it more firmly this time?

[Bod] The opposition of the day—the current government coalition—firmly criticized this measure, which was certainly not a helpful solution. I can only assume that the people who opposed it then will not act to the contrary now that they are in power.

[NEPSZABADSAG] The political debates surrounding you seem to have died down.

[Bod] I am very happy about this.

[NEPSZABADSAG] Is there an agreement unknown to the public?

[Bod] I am also only recognizing the silence. I am not only happy about this for personal reasons. I was asked about the central bank's independence during my visit to Japan. There, too, I said that tensions—professional, between the institutions, personal, and political—do exist. However, the bank's independence is laid down in all written and verbal programs of the government.

Commissioner Views Public Administration Reform

AU0409142494 Budapest MAGYAR NEMZET in Hungarian 31 Aug 94 p 7

[Interview with Imre Verebelyi, government commissioner and state secretary, by Tibor Moldovanyi; place and date not given: "The Bureaucracy That Recreates Itself Has To Be Reduced—Imre Verebelyi on the Public Administration Reform, Staff Reductions, and Self-Renewal"]

[Excerpts] The government has commissioned Imre Verebely to modernize public administration. He will carry out his tasks as government commissioner and state secretary as of 1 September. [passage omitted]

[Moldovanyi] Could you please summarize your tasks as government commissioner?

[Verebelyi] Together with the members of the government commissioner's office and the Hungarian Public Administration Institute, we participate in reforms that affect the central and local units of administration. Our tasks are linked to the implementation of the government program—thus, among other things, with the examination of the so-called decentralized bodies and the local offices of central state administration and the abolition of three of these bodies in the coming months. In addition to the changes affecting the organizations, I will also be participating in drawing up measures to rationalize the administration in connection with the reform of state finances. [passage omitted]

[Moldovanyi] How can we reduce the number of outdated laws?

[Verebelyi] Unlike in the past, deregulation would be unified; it would be implemented in the whole government rather than separately in the individual ministries. With the implementation of deregulation, we want to modernize the way the state undertakes tasks, and the ministerial apparatus will have to learn to take the social and economic processes into consideration at the stage of preparing draft rules of law. [passage omitted]

[Moldovanyi] Which of your tasks would you emphasize?

[Verebelyi] I assess all governmental and ministerial proposals that affect public administration, and during this process, I have to prepare analyses that are independent of the various ministries. I think it is especially important to become efficient. I do not mean something being cheap, but rather that the target is achieved with the smallest possible costs, in the simplest way, and to society's greatest satisfaction. The Hungarian public administration has a tremendous responsibility in the country's modernization. Naturally, it is not a substitute for the market, but public administration has to assist progress.

[Moldovanyi] What links do you intend to have with the interest representation organizations?

[Verebelyi] My activities in the Interior Ministry were also characterized by the fact that a public administration interest coordination council was established and it functioned well. The local government interest associations, the public administration chamber, and the trade unions participated in the coordination. I would also like to maintain my contact with these organizations in the future. Our cooperation can be improved if we include the representatives of these organizations in the thought process rather than just asking for their views on prepared proposals. Even if they do not agree with everything, they can use well-grounded counterarguments in the debates, as they are very familiar with the problems.

Standing in Line [subhead]

[Moldovanyi] Today, we are talking about public administration rather than state administration. Has the sign been repainted?

[Verebelyi] It has not been repainted. Modern public administration stands on two legs. One is the local self-governments and the other is state administration. In the past, state administration was unified because we had a state council system. Today we have two branches of administration—one of them serves the local self-governments and the other is at the ministries and

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decentralized bodies. These two branches work together; one deals with the local issues, while the other serves public interests that appear on a state or national level. Both of them are linked to their political decisionmaker. At the same time, we have to strive for unified methods in this profession.

[Moldovanyi] What do you want to achieve in the course of modernization?

[Verebelyi] A self-renewing spirit should evolve in the process of continuous modernization. In the course of implementation, we have to see what and in which areas can be useful for the citizens and which tasks expire. Public administration always joins the line where there is a new task that requires personnel, but it leaves the line when the tasks are reduced. [passage omitted] We have to establish the attitude in public administration that is typical of the managers of the private sector.

Jeszenszky Justifies His Government's Policy

AU0309194294 Budapest UJ MAGYARORSZAG in Hungarian 1 Sep 94 pp 1, 3

[Interview with Geza Jeszenszky, National Assembly deputy of the Hungarian Democratic Forum and former foreign minister, by Zoltan Udvardy; place and date not given: "Our Foreign Policy Was an Open One"]

[Text] "One can say a lot and present appealing arguments on what we should have done, and it might even be true in some cases. Globally, however, one can say that no serious mistake whatsoever has been committed," Geza Jeszenszky told us after returning from the Alpbach conference.

We asked the former foreign minister about the German orientation and the chances of this region catching up with Europe in the wake of the attacks directed at the former government by circles of the present cabinet. The conference in the Austrian town of Alpbach dealt with the aforementioned chances. Geza Jeszenszky gave an opening lecture at the conference together with Austrian Foreign Minister Alois Mock.

[Udvardy] Istvan Horvath, the former Hungarian ambassador in Bonn and currently adviser to Prime Minister Gyula Horn, recently declared that the previous Hungarian Government missed numerous investment opportunities, fearing a possible German economic hegemony. Have there really been such fears and could the new government profit more by encouraging new investments?

[Jeszenszky] Every criticism or hint that we forgot about Germany or failed to make use of the given opportunities is nonsense. A considerable part of foreign investments in Hungary came from the United States. We were striving to make Hungarian policy and foreign policy open to various directions. We never had any intention of representing a one-sided German orientation, but we did not fear the criticism mentioning this either. Our goal was to make Hungary attractive for investors. Today it is common knowledge, or it should be common knowledge, that half of all the foreign investments in the former communist countries came to Hungary. It is also worth noticing that other countries are also competing for investments. Businessmen do not think in emotional terms; they will go to a place where they can get a more and safer profit for their ventures. It is in Germany's primary interest to strengthen the Czech Republic and Poland as its immediate neighbors. Irrespective of the myth developed in Hungary about the alleged role of Gyula Horn, the new Hungarian Government does not have any better chances and I am not sure that it will make better use of the given opportunities either, because politics cannot directly affect economic life today. It is not a secret that the present German Government would have preferred to see other parties win the Hungarian elections, parties that are closer to them.

[Udvardy] Things turned out differently, however. How much influence does the opposition have?

[Jeszenszky] It is too early to tell, but the preliminary signs are not too favorable. The personnel changes at the Foreign Ministry do not show a political activity based on agreement. They voice this intention orally, but deeds show different things. I find the personnel factor to be essential, but this is not the only issue here. It also happens in other countries that politics attempt to influence the economy. In Hungary, however, the Foreign Ministry leadership was defeated by its own government with the abolition of the Ministry of International Economic Relations. Instead of dividing the tasks up, this ministry was actually combined with the Industry Ministry, and the foreign trade missions continue to be totally independent of the Foreign Ministry. The Office of European Affairs is connected to the foreign affairs in other countries.

[Udvardy] The media slightly neglected the Alpbach conference. What was the subject of this conference?

[Jeszenszky] This conference is a forum that has been held regularly since 1945. It was created by some high-ranking Austrian intellectuals. The immediate subject was what can be done for the European processes in the current situation. Austrian Foreign Minister Alois Mock gave a spectacular lecture about Austria's European policy. It is a positive thing to hold such conferences, although it would be more effective to hold them in one of the countries waiting to join Europe so that the participants can better face the problems.

[Udvardy] Has the conference touched upon the issue of the Visegrad group catching up with Europe?

[Jeszenszky] This issue did not come up in the form of the Visegrad Four, but my approach was also that the case of the communist countries' transformation is in worse shape now than one could expect in 1989.

[Udvardy] Does the result of the Hungarian elections show a similar disappointment?

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[Jeszenszky] I think we have much less reason for disappointment than the other countries in the region. However, the stakes remain the same—namely whether we succeed in proving these "Western-Central-European" contries, their population, and the outside world that the difficulties are part of this restructuring. Jozsef Antall drew attention to the lack of preparation and responsibility of the West as early as in December 1990, but perhaps he himself did not think that his concern would become so justified.

NEPSZAVA Assesses Melescanu's Visit

AU0709083294 Budapest NEPSZAVA in Hungarian 6 Sep 94 p 6

[Unattributed editorial: "Possible Agreement"]

[Text] It is comforting to note that the Hungarian leadership has not been trying to revive tragic memories of history and has not been ardently swearing some kind of "holy case" during Romanian Foreign Minister Teodor Melescanu's visit. Instead, it views things with cautious reservation, examining details, and expecting answers to concrete details. "The devil lies in the details!"—the Hungarian foreign minister often declared, and to a Romanian side that nowadays seems to be more enthusiastic his attitude could even seem to be skeptical.

It seems that Budapest is not satisfied with drawing up merely a formal text called the "basic treaty" in order to join the European house; instead, it would like to sign a real, verifiable agreement. Is this possible with a country where officials of the extremist Funar's party are given positions in the government? Perhaps anti- Hungarian feelings have permeated the everyday life of the Romanian public for decades?

Melescanu's visit shows that one day an agreement will be possible. That each side will have to give up something is another matter. The Hungarians who found themselves on the other side of the border will have to be satisfied with less, but the Romanians will also have to curtail some of their misinterpreted national awareness. Just as the two countries' leaders will also have to accept the possible heavy criticism of their respective "national sides."

After bloody wars, the French and the Germans achieved friendship through mutual compromises. Bonn and Warsaw have also became good neighbors half a century after the Nazi genocide in Poland. The blacks and whites in South Africa, and particularly the Arabs and Israelis have had to set aside tragic memories.

Of course, all this is not only a matter of political intention. At a certain level of economic development, the warring sides realize that they are better off with peace than with war. The Japanese and the Germans also prospered through peace, rather than with armed conquest. This is what people think in Budapest, people who claim that the signing of a Hungarian-Romanian agreement on the protection of investments or the acceleration of joint ventures will do more to contribute to the cause of the national minorities than empty rhetoric.

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Senate, Sejm Stress Cooperation With PRC

LD0609152094 Warsaw PAP in Polish 1247 GMT 6 Sep 94

[Text] Warsaw, 6 Sep—During a meeting on Tuesday with a delegation of the Chinese People's Political Consultative Conference [CPPCC], headed by its vice chairman, Ye Xuanping, Senate Speaker Adam Struzik said: "Pragmatic politicians are now in power in Poland, and for them the economic results of cooperation and not a discussion about ideological problems is important." During the meeting with Sejm Speaker Jozef Oleksy, the economy was the main topic.

The delegation is in Poland at the invitation of the Senate speaker. The CPPCC is a kind of united national front that comprises representatives of all of the parties, organizations, and churches legally existing in China, and leading nonparty figures representing various areas of public life. The CPPCC is the main platform of the political consultations' system led by the Communist Party of China.

It was concluded during both meetings that this visit is of great importance for preparing the background that would facilitate a boom in Polish-Chinese cooperation, particularly before the forthcoming visit by Prime Minister Waldemar Pawlak to China.

Struzik recalled the good relations between Poland and China in the 1960's, and Oleksy stressed that those relations "were never interrupted." Both speakers suggested to the Chinese that economic cooperation in the power industry, in which Poland's export specializes, should be stepped up. Ye Xuanping shared the opinions of his interlocutors about the need to speed up the cooperation.

The speakers were interested in how China achieved its unprecedented economic growth rate in recent years. The leader of the delegation said that China has built a "socialist market economy" and followed Deng Xiaoping's saying that "Practice is the sole criterion of truth."

Cooperation With Ukraine in Space Projects

LD0609203994 Warsaw PAP in Polish 1508 GMT 6 Sep 94

[Text] Warsaw, 6 Sep—Poland will cooperate with Ukraine in the construction of a telecommunications satellite. The plans of the project were discussed in Warsaw today at a meeting between a delegation of the Ukrainian Space Agency and representatives of the Polish Academy of Sciences' Space and Satellite Research Committee.

The telecommunications satellite will have a footprint covering Europe and the Middle East and will be a component of the European Eutelsat system. It will provide efficient communications on the territories of Ukraine, Poland, and neighboring states. It should come into operation in 1997.

Satellite telecommunications on the verge of the 21st century mean not just technical progress but also very profitable business. At present, there is great demand for telecommunications satellites throughout the world. In the near future, about 50 new satellites will appear each year. Ukraine has a developed space industry and much experience in satellite construction, Dr. Oleg Uruskiy, deputy director of the Ukrainian Space Agency, told a PAP journalist.

Poland could cooperate with Ukraine in the construction of the satellite by making a technological contribution or by participating financially. This would allow it to use the satellite and share in profits from its operation.

Polish-Ukrainian cooperation also involves other space projects, including the Interbal satellites for researching the Earth's magnetosphere and the Mars-96 Martian probe. A joint program named "Alert," involving research into earthquake forecasting on the basis of satellite observations of electromagnetic disturbances in the ionosphere, is also planned.

"At the end of the 20th century, there is no technical or scientific progress without space research. Successes in this field are possible through wide international cooperation, in which Poland plays a large role. We have been cooperating with Polish scientists for 20 years now, and we view with optimism future development of this cooperation, especially now that Ukraine and Poland enjoy full independence," Uruskiy said.

Walesa Said 'Cleaning House' Before Election

WS0709071594 Poznan WPROST in Polish 4 Sep 94 pp 10-11

[Article by Marek Sarjusz-Wolski: "Is President Cleaning House Before the Elections? Repair of the Belweder"]

[Text] Asked several years ago "why he was working for Lech Walesa," Presidential Press Spokesman Andrzej Drzycimski, who has recently been forced to go on vacation, replied: "I am attached to the president." While commenting on behalf of the president on the uncomplimentary statements by former aides of the head of state concerning relations within the Belweder, he used to say: "The president (...) said that he is glad to have gotten rid of people of a small caliber from his entourage."

Among them were people such as Krzysztof Pusz, the Kaczynski brothers, Maciej Zalewski, Slawomir Siwek, Wojciech Wlodarczyk, Teresa Liszcz, Grzegorz Grzelak, Arkadiusz Rybicki, Krzysztof Wyszkowski, and Jacek Merkel. If Drzycimski had not advertised the fact that he was sent (with the approval of the president) on compulsory vacation by Mieczyslaw Wachowski, no one would have guessed that more people would soon join the group of the "recalled."

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Andrzej Zakrzewski, under secretary of state in the President's Chancellery, who is temporarily fulfilling the duties of spokesman, is giving assurances that speculation on this subject is out of place and that Andrzej Drzycimski will return. However, he will certainly not hold the same position because political issues must be separated from the technical servicing of journalists. The president's reservations were related to the latter aspect. The new spokesman will certainly be a journalist. Among the candidates are people such as Irena Popoff, press spokesperson of the Office of State Protection, and journalists Tomasz Wolek, Andrzej Urbanski, and Ryszard Czarnecki. The three journalists, however, definitely deny that any talks have been held with them on this.

There is also unofficial talk in the President's Chancellery that it has been well known for a long time that Mieczyslaw Wachowski and Adrzej Drzycimski strongly dislike one another. Bogdan Borusewicz assesses that the conflict between them has been growing for a year: "The chances that Drzycimski will return to the Chancellery are rather small. However, Walesa should begin changes in his entourage from the other end of the alphabet."

The last straw is said to have been the conflict over Marian Zacharski.

Mieczyslaw Wachowski has been on casual terms with Zacharski for a long time now, and Andrzej Drzycimski publicly criticized his nomination as head of the intelligence services.

A politician who wanted to remain anonymous and who used to be one of the closest aides to Lech Walesa believes that Drzycimski was sent on involuntary vacation so that he would not witness the personnel changes that will be made soon. Their purpose would be to prepare Walesa's entourage for the election campaign. In line with this version, the changes would also concern Mieczyslaw Wachowski, whom some people can see in the post of internal affairs minister. Rumors are circulating in Warsaw that Drzycimski's vacation is a prelude to the reconstruction of part of the office that is headed jointly by Walesa and Pawlak. Most politicians, however, do not understand much of what is going on in the presidential palace.

There are symptoms that suggest that Walesa is trying to reach for people who used to be linked to him in the past but who then moved away from the political limelight. One can hear opinions in Gdansk that a high post in the Belweder may be filled by Maciej Plazynski, Gdansk voivod who has been attacked by the government coalition for a long time.

It is impossible, however, not to infer from the history of the Presidential Chancellery that there have been few people there who liked each other. Actually, every prominent person who either left the chancellery at his own request or was recalled later announced publicly that the President's Chancellery has a long way to go before becoming a good team.

Krzysztof Wyszkowski: "It may even be so that 'Me' is for him a greater value than Poland." Jaroslaw Kaczynski: "He suffers from pathological amour propre." Lech Kaczynski: "He immediately sees a rival in any person who gains an independent position." Arkadiusz Rybicki: "He has hidden in a shell, assumed a survival position, and surrounded himself with yes-men."

Drzycimski, who was Walesa's mouth, has not opened his own mouth since he went on vacation. This may mean that he will be the only recalled person who is loyal or that he will still be able to count on the president's favor; Walesa may have envisioned an entirely different role for him. Andrzej Kozakiewicz stated that Drzycimski is supposed to gain strength before the election campaign and prepare its scenario.

Most observers of the Belweder, however, express the opinion on the continuation of the "strategy of changing the bumpers."

Right now, the most secure position is that of Andrzej Zakrzewski, whose rating after the commemoration of the 50th anniversary of the Warsaw Uprising definitely went up, and that of Janusz Ziolkowski, who is said in the Chancellery to be "treated very well" by Wachowski because "he knows that he can always reach agreement with him." Also Andrzej Kozakiewicz (Jerzy Milewski's son-in-law) can feel safe. He is the Belweder's gray eminence for economic affairs. Only he and Father Franciszek Cybula have remained of Walesa's Gdansk team—not counting Mieczyslaw Wachowski, of course.

"The president is cleaning house before the election." Such an opinion can be heard most often among the chancellery's officials, who are rather tight-lipped.

Speculation on Drzycimski's vacating the post of presidential spokesman has plagued him since the beginning of his career in the Belweder. It became more frequent this past spring. When journalists asked the president about it at a press conference in Gdansk, Walesa firmly denied the news and then asked Drzycimski publicly: "Well, Andrzej, do you feel tired?" At that time no, today yes. It looks like the president has come to like repairing his seats so much that he decided to repair his entourage as well.

Daily on Likely PSL-Walesa Election Accord

WS0709113094 Warsaw RZECZPOSPOLITA in Polish 7 Sep 94 p 2

[Article by Ewa K. Czaczkowska and Kazimierz Groblewski: "Walesa-PSL; Something for Something Else"]

[Text] The closer to the presidential election, the more Lech Walesa may need the Polish Peasant Party [PSL]. Theoretically, Waldemar Pawlak's party has a lot to offer: votes of its electorate in the second round of the election if its candidate does not reach it. What Lech Walesa has to offer may be too little to persuade the PSL

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electorate, which, in line with opinion polls, is rather anti-Walesa, to vote for him.

"Such talks have not been held," replies PSL Deputy President Franciszek Stefaniuk, asked about negotiations between the President's Chancellory and the PSL on the presidential election.

The PSL Has Not Yet Held

...an official debate on its candidate for president, and everything seems to indicate that the decision will be made only in February, at the party's congress. It will not really decide whether or not to field the party's own candidate because this is actually a foregone conclusion; it will have to decide who will be the candidate.

In the PSL, there is tacit agreement on one thing: The party must field its own candidate and do so for a couple of reasons—first, because of the necessity of satisfying the political ambitions of the members of the party ("such a large, governing party can afford to field even several candidates"—this argument is repeated quite often). Apart from that, any campaign means a test for the party's strength, mobilization of the electorate, and so on.

For Pawlak, the possibility of not fielding the party's candidate for the price of a several-month peace for the Pawlak Cabinet in the period of the campaign and for the price of the mission of forming a new government, after Walesa's victory, is not to be sneezed at. However,

It Would Be Very Difficult

...to explain to PSL members and the electorate that the political interest tells them to vote for Walesa in return for a peasant government in the future.

This possibility might be considered only in the second round of the elections.

Actually, even this would be risky for both sides. First, a political declaration by the authorities is no guarantee that this is what the electorate will do. What is more, today one can say that this is not a very likely possibility.

Opinion polls confirm that most of the rural electorate is against Walesa. Thus, most of these voters will support Kwasniewski or Tyminski rather than Walesa. Therefore, the political choice that the PSL leadership will have to make in the second round, if the PSL candidate does not reach it, will be dramatic. Supporting Walesa will be against the expectations of the electorate, but in line with the expectations of the church. Supporting Kwasniewski (or some other candidate of the Democratic Left Alliance—SLD) will be in line with the feelings of the electorate, but, at the same time, it will be obvious support for the Polish People's Republic and not for the post-August Poland. Expressing support for Walesa in the second round would also put an end to a coalition with the SLD. It would also mean believing in...

The Uncertain Promise

...of forming a minority government based on the Belweder.

Thus, the presidential election may cause considerable friction within the PSL. The friction might come as early as the stage of discussing the party's candidate if, in line with the alleged agreement between the Belweder and the PSL, the party's leadership wanted to field a not-very-well-known candidate, who could not count on full support even from his own electorate.

Lech Walesa, on the other hand,

Needs the PSL

Even though the presidential elections are drawing near, the relations between him and the right wing do not seem to be getting any warmer. Nor are there any signs that would indicate that the distance between the president and the Freedom Union is becoming shorter.

Today's bizarre symbiosis between Walesa and the PSL results primarily from political interest. Both partners find it useful to have the possibility of weakening the SLD. Walesa has some reasons, which result mainly from the fact that the presidential campaign is drawing close, to keep undermining the position of the SLD. The PSL's interest is slightly different here: Not all of the time but sometimes, it feels the need to take its coalition partner down a peg or two. This is where the interests of Lech Walesa and the PSL coincide.

This was the case, for example, when Marek Borowski was being recalled, when Walesa, in line with the prime minister's intentions, signed his dismissal in no time at all.

What do Walesa and the PSL have to offer each other? The best option for Walesa would be the following: The PSL does not field its own candidate, officially supports him, and calls upon his electorate to vote for him. This option, however, is out of the question. It narrows the range of the possible agreement between the PSL and Walesa, but it is still quite broad. The real, possible option that is optimal for Walesa is this: The PSL's candidate must be a "characteristic" person who would be able to win over part of the leftist electorate in the first round (that is, take away some votes from the SLD candidate); however, it must also be a person whom Walesa...

Will Be Able To Defeat

Then Walesa and the SLD candidate pass to the second round and the PSL supports Walesa. If we assume the conventional hierarchy that, among the three likely PSL candidates, Waldemar Pawlak is the "strongest," Jozef Zych is "weaker," and Adam Struzik "the weakest," then, from the standpoint of Lech Walesa, the candidacy of Adam Struzik is the least favorable. The result might be the opposite of what was expected: Struzik, who is still

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not very well known in the rural areas, might not only not take votes away from the SLD candidate but might even not be able to "attract" all of the votes of the rural electorate. Some voters, instead of supporting him, would vote for the SLD candidate.

The person who would certainly take some votes away from the SLD candidate and who would most certainly guarantee that the peasant votes "will be gathered" is Waldemar Pawlak. If he lost in the first round, he might...

"Give" All Votes

..to Walesa. However, it is possible that Lech Walesa might be defeated by Waldemar Pawlak in the first round; then the entire contract would fail.

In such a situation, the compromise the PSL could actually propose to Walesa is the fielding of Jozef Zych as the PSL candidate. This is a person whom Walesa is able to defeat and, at the same time, a person who provides considerable guarantees that he will attract PSL voters (that is, they will not back the SLD candidate).

Thus, there is room for a possible contract between the PSL and Walesa. However, there is quite a fundamental obstacle: In this "something for something else" exchange, Walesa does not have too much to offer. He may promise the PSL candidate that the post of prime minister in this government will be maintained; he may promise the post of prime minister in the new government; he may promise posts in his Chancellery.

This is not too much, especially because the PSL would have to see friction inside the party.

Poll on Return of Former Methods, People

WS0609072294 Warsaw RZECZPOSPOLITA in Polish 3-4 Sep 94 p 2

[Article by R.W.: "CBOS: Is PRL Coming Back? There Is No Return; There Are Suspicions"]

[Text] Less than a year after the election that was successful to parties with roots reaching the Polish People's Republic [PRL], most people in Poland do not feel threatened by "the return of the PRL." Over 50 percent of Poles do not agree with the opinion that the old methods of governing in Poland are coming back. Just as many Poles believe that the fact that the Democratic Left Alliance [SLD] and the Polish Peasant Party [PSL] have come to power cannot be identified with a return to power of people who governed before 1989. Increasingly more people, however, can see such phenomena. The poll was carried out in July by the Public Opinion Research Center.

Oppositional politicians accuse the current government of longing for centralism, central steering, and arrogance typical of "PRL rulers," as well as of employing old, "proven" activists. As the results of the poll show, this view is shared by every third Pole. These are particularly often people from large cities, educated people, private entrepreneurs, as well as skilled workers and private entrepreneurs [as published]. Such opinions are least often expressed by young people who are still in school and who do not remember much of the PRL times. The majority of those who can see similarities between the PRL and the present method of governing are not satisfied with this situation.

Immediately after the parliamentary election, when the new authorities had not made many practical moves, there were fewer people who could see the "return of the old *nomenklatura*" and of the old style of governing. Since that time, the number of respondents who do not agree with the thesis on the return of the PRL has also noticeably decreased.

The evaluation of the similarity between the present authorities and the authorities before 1989 depends to a considerable degree on the political preferences of the respondents. This similarity is least often perceived by the voters of the SLD and most often by the voters of rightist groupings. Former members of the Polish United Workers Party can see "the repetition of the PRL" less often than members of the first Solidarity ["S"], and the supporters of the current government less often than its opponents.

Regardless of the evaluation of the situation among the authorities after the last election, most respondents confirm that it was worthwhile to change the political system in Poland five years ago.

• • •

The poll was carried out between 21 and 26 July 1994 on a 1,166-person representative random sample of adult inhabitants of the country.

Is the PRL Coming Back?

	Old Style of Governing Is Returning	Old People Are Returning
	(in percent)	
SLD	12	12
SL	27	27
"S"	27	40
Freedom Union	41	43
Labor Union	48	30
Rightist parties	56	43
Average result	31	29

Solidarity Chief on New Constitution Draft

LD0509193394 Warsaw Radio Warszawa Network in Polish 1700 GMT 5 Sep 94

[Quotation marks denote recorded passages]

[Excerpts] Marian Krzaklewski has submitted to Sejm Speaker Jozef Oleksy Solidarity's draft of the new constitution together with a list of 870,000 certified signatures. Altogether over 1 million signatures have already

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been collected, and the collecting of signatures will continue because it facilitates discussion of the political system, Marian Krzaklewski told journalists. [passage omitted]

The union expects that the citizens' draft of the constitution will be treated as an alternative to the parliamentary version and that it will be put to a referendum as one of the two options, Krzaklewski said.

[Krzaklewski] "We can openly say here: If this is not considered as an alternative—but I must say that the campaign has to be even broader and stronger—a situation may arise in which people will feel rejected, their initiative having been rejected, and the constitutional referendum will turn into a vote to verify the present authorities and this parliament as well. Let us be honest."

[Announcer] The Solidarity chairman thinks that the fact that 1 million signatures have been collected is a great achievement. He said that this achievement should be considered great also by those who will decide what the fate of the draft will be. [passage omitted]

Marian Krzaklewski denied that the majority of the signatures have been collected thanks to the support of the bishops.

[Krzaklewski] "The majority of signatures have been collected within the union structures, and I must admit that a significant number have been collected outside the union. The outside activities did take place in front of churches and in other busy points in cities and villages. However, there has been no setup here, just a favorable attitude to our draft, a warm opinion of it, an opinion that did not make it difficult for citizens to sign. On the contrary, the approach was encouraging for the believers to put their signatures under our constitution draft. Anyway, there has been no situation bearing any characteristics of a setup or any political agreement, either. The church, from what I know, does not enter into political agreements because it is not a political institution."

Pawlak 'Delays' Nomination of Police Commandant

WS0709102494 Warsaw RZECZPOSPOLITA in Polish 7 Sep 94 p 1

[Article by J.O.: "Prime Minister Delays Nomination of Commandant"]

[Text] At the inauguration of the academic year in the National Public Administration School on 6 September, Prime Minister Waldemar Pawlak voiced reservations concerning the method of issuing opinions on candidates for the post of chief police commandant, used by the Advisory Political Committee of the Internal Affairs Ministry [MSW]. He mentioned that retired High Inspector Leszek Lamparski was not admitted into the MSW offices. According to the prime minister, this might have had considerable influence on the decision made by the committee. Thus, the issue is still open, and appropriate procedures will continue to be applied, Pawlak declared, adding that the police commandant is still Higher Inspector Zenon Smolarek.

Internal Affairs Minister Andrzej Milczanowski issued a special statement in which he questioned the prime minister's opinion. He reported that Higher Inspector Lamparski took part in the latest session of the MSW Political Advisory Committee.

It is worth recalling that, on 1 September of this year, the committee unanimously supported the candidacy of Inspector Boguslaw Strzelecki, submitted by the internal affairs minister and allegedly backed by Lech Walesa. The nomination of Lamparski is said to have been supported by Waldemar Pawlak. According to the MSW press spokesman, Lamparski and Strzelecki "personally presented their programs and answered questions."

NBP President on Policy, Banking Supervision

WS0609132094 Warsaw RZECZPOSPOLITA in Polish 5 Sep 94 pp 1, 10

[Interview with Hanna Gronkiewicz-Waltz, president of the National Bank of Poland, by Piotr Aleksandrowicz; place and date not given: "There Will Be No Tied Businesses"]

[Excerpts] [Aleksandrowicz] Do you think that right now there is a danger that inflation may go up? What will its level be in December?

[Gronkiewicz-Waltz] It can already be seen that the inflation calculated from December 1993 to December 1994 will be higher than planned—that is, higher than 23 percent. The annual inflation indicator in June and July was over 32, or almost 33 percent. It is difficult for us to say exactly what the indicator will look like in December; we hope it will be below 30 percent. Right now we suppose it will amount to 27 percent. We may have to get used to living with high inflation.

[Aleksandrowicz] Even though the budget deficit is maintained now at a relatively low level, once again inflation will be higher than planned. Why?

[Gronkiewicz-Waltz] In 1992, inflation, which was undoubtedly higher than planned, was a consequence of the large deficit; last year, inflation moods were created by the elections and by political factors. Why will inflation be higher this year? I cannot find a simple explanation. There is no doubt that several factors contributed to this, such as the lack of the corporate tax on above-normative pay [popiwek], the drought...

[Aleksandrowicz] However, is it not because the National Bank of Poland [NBP] simply did not fully control the money supply?

[Gronkiewicz-Waltz] We do not think so. We are carrying out very intensive operations of the open market;

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we have introduced operations of noncash sale of Treasury bonds (outright sale) [words in parentheses in English], which, incidentally, caused dissatisfaction in the Finance Ministry.

We believe that the reduction of the interest rates in May was the right decision because inflation in the first several months of the year was low. However, right now we are not lowering the interest rates because we forecast that inflation will be higher than expected; thus, nothing justifies such a step.

[Aleksandrowicz] I am not saying that the NBP is not doing anything. I am only saying that it did not control the money supply, especially the supply that results from the inflow of foreign money. Nor did it control the increasing sale of foreign currencies by banks to the NBP.

[Gronkiewicz-Waltz] This is why we suggested that the devaluation rate be decreased, for the time being, from 1.6 to 1.5 percent a month. We would like to do it carefully because, as early as this year, we have to pay approximately $2 billion to the London Club.

[Aleksandrowicz] Do you not think that your proposal came too late?

[Gronkiewicz-Waltz] I do not think so. We submitted this proposal when we came to the conclusion that the prices of products sold by industry are not rising fast, which means that, after the devaluation rate is decreased, the competitiveness of our exports will not deteriorate. Second, we submitted it when the trade balance was beginning to improve. For a long time, this balance was upset.

We proposed this move in July, and we could have achieved some results by now. However, as you probably know, the proposal to lower the devaluation rate was not approved by our partners. The Finance Ministry links the consent to lowering the devaluation rate to a reduction of interest rates.

[Aleksandrowicz] What is your evaluation of this?

[Gronkiewicz-Waltz] It is an expression of pressure on the central bank. In this situation, the declarations that the central bank should be independent are in fact merely verbal declarations.

[Aleksandrowicz] How about the opposition of the Ministry of Foreign Economic Cooperation to reducing the devaluation rate?

[Gronkiewicz-Waltz] It is of lesser interest to me. I believe that the economic deputy prime minister, if he wanted to, would be able to persuade his Minister that such a step is necessary.

[Aleksandrowicz] That means that the deadlock has not been broken?

[Gronkiewicz-Waltz] No, it has not.

[Aleksandrowicz] How can it be broken?

[Gronkiewicz-Waltz] I am waiting for the Finance Ministry to make a decision. If really, not merely verbally, the minister attaches any importance to limiting inflation, he should be open to the idea of lowering the devaluation rate. Now, there is no doubt that right now the NBP will not lower interest rates because there are no good economic reasons to do so.

[Aleksandrowicz] And what if the deputy prime minister and the finance minister do not take any steps? What may happen then?

[Gronkiewicz-Waltz] If the money supply continues to increase because of the inflow of foreign currency, inflation will rise. Then we will just have to forget about 16-percent inflation next year.

[Aleksandrowicz] Do you not think that the exchange rate should be set only by the NBP?

[Gronkiewicz-Waltz] Yes, I do. [passage omitted]

[Aleksandrowicz] How high will inflation be next year, do you think?

[Gronkiewicz-Waltz] Higher than 16 percent. Our forecasts are realistic; they are not wishful thinking. It may be 18, 19, or 20 percent, but it is difficult to say exactly how high it will be because we do not know much about next year. For example, we do not know yet how the government wants to limit the wage increases when the popiwek law is no longer effective. Commercialization alone is not such a method.

[Aleksandrowicz] Because it is known that inflation will be higher, what stand will the NBP take on the issue of purchasing Treasury bonds? As is known, it is an inflationary method of financing the deficit.

[Gronkiewicz-Waltz] This year we have to implement the provision in the budget law that says we must buy bonds for at least 30 trillion zlotys [Z]. We protested this provision. However, because it remained in the law, we will buy the bonds. Nevertheless, there are also operations of outright [preceding word in English] sales of bonds, which will make it possible to get rid of them and decrease the inflation effect.

[Aleksandrowicz] What about next year?

[Gronkiewicz-Waltz] It seems that the central bank cannot stop financing the deficit overnight. We believe that the admissible sum would be approximately Z20 trillion, which is obviously less than this year.

[Aleksandrowicz] If this year, in the fourth quarter, instead of 1 or 1.5 percent monthly inflation amounted to 2.5 or 3 percent—that is, over 30 percent a year—would you then consider the possibility of raising interest rates?

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[Gronkiewicz-Waltz] Certainly I would. It would be the first such raise probably since the beginning of the reforms—certainly in several years.

[Aleksandrowicz] Apart from the issue of financial policy, a conflict that has recently come to light is the problem of where banking supervision should be. Why has this problem actually arisen?

[Gronkiewicz-Waltz] For the first time since 1989—that is, since banking supervision was established—there has come a proposal to place it outside the central bank, in the "office of supervision." I get the impression that the reasoning behind all of this is as follows: Since the NBP president cannot be easily removed because it might raise a hue and cry, her powers should be limited.

I also infer from various talks that the purpose of this move is to take over political control over banks. Right now, supervision takes into account economic criteria and is an apolitical establishment. [passage omitted]

[Aleksandrowicz] Does the dispute over the institution and powers concern only the issue of banking supervision?

[Gronkiewicz-Waltz] A new alarming proposal is the idea of establishing a board of the central bank, whose members would be appointed by the Sejm and its chairman by the president. It would specify the NBP's strategy and control its implementation. In fact, it would mean that the NBP president would not decide anything. Control over the central bank is exercised through auditing; there cannot be any political control.

[Aleksandrowicz] Who has submitted the concept of the board of the bank?

[Gronkiewicz-Waltz] Authors of the "Strategy for Poland." Incidentally, all proposals for changes found in this material aim to limit the autonomy of the central bank, even though, in line with the resolution passed by the Sejm in 1992, the regulations of the banking law should be adapted to the requirements of the European Union [EU]. Summing up, they are going in the opposite direction. It is even a step backward in comparison with the January 1989 regulations, which were established before the "roundtable" and the beginning of the economic transformations. Additional proof is, for example, the fact that the NBP had to increase the limit of financing the budget deficit by the NBP—from 2 percent to 5 percent of the planned annual revenues of the budget.

Inasmuch as we want to adhere to economic principles and thus cannot lower the interest rates now, we are pressed. For example, we will take supervision away from you, or we will establish a board of the bank. All those who read the articles by Deputy Prime Minister Kolodko, for instance, interpret them in this way—first comes the issue of supervision, and then immediately the problem of interest rates.

[Aleksandrowicz] Can you see the possibility of doing a tied business?

[Gronkiewicz-Waltz] No, we will not do any tied businesses.

[Aleksandrowicz] However, in many countries there are organs that are sort of intermediaries between the government, the parliament, and the central bank.

[Gronkiewicz-Waltz] [passage omitted] Maybe, to overcome the crisis, we should suggest that Poland also establish a financial policy council, made up of experts who do not perform any other functions. The council would also include the presidents and the vice presidents of the NBP, as well as people designated by the parliament and the government.

[Aleksandrowicz] Would it be an advisory organ, or would it actually make decisions?

[Gronkiewicz-Waltz] The financial policy council would have decisionmaking powers in the area of financial policy instruments. However, it would also bear responsibility for its implementation and for its results.

[Aleksandrowicz] Thus, the NBP president and the board would relinquish some of their powers?

[Gronkiewicz-Waltz] Most certainly they would. However, this would also mean the end of discussions on the main points of the financial policy, which are held every year. This would mean separating the government from the financial policy. The parliament and the government would have their irremovable representatives, but, except for that, they would not be able to intervene in any other way. This would adjust our legislature to the EU [European Union]. The financial policy is not discussed and accepted every year in any of the states of the Community.

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New Shipment of Heavy Water Delivered to Plant

AU0609171894 Bucharest ROMANIA LIBERA in Romanian 2 Sep 94

[Unattributed report: "Anti-terrorists Have Guarded 46 Metric Tons of Heavy Water"]

[Text] A new shipment of 46 metric tons of heavy water has been delivered to the Cernavoda Nuclear Power Plant. During the night of 30 to 31 August 1994, a cistern-train transported the heavy water on rail, under the protection of the Anti-terrorist Brigade of the Romanian Intelligence Service. The first shipment of heavy water to the Cernavoda Nuclear Power Plant was delivered to the plant two weeks ago from the ROMAG S.A. [Romanian Heavy Water Enterprise] platform in Halanga, Mehedinti County, in cistern- trucks, with identical security measures. The first reactor of the Cernavoda Plant will start operating by the end of this year.

Foreign Minister on Rapprochement With Hungary

BR0709124794 Amsterdam DE VOLKSKRANT in Dutch 5 Sep 94 p 5

[Report on interview with Romanian Foreign Minister Teodor Melescanu by Cees Zoon in Bucharest; date not given: "This Is a Chance We Cannot Miss"]

[Text] The chance to improve the seriously damaged relations between Romania and Hungary has never been as great as it is now. On Monday [5 September], Romanian Foreign Minister Teodor Melescanu is to visit Budapest and is hoping to smooth the way for a treaty between the two squabbling neighbors.

Gyula Horn's new Socialist government is striving urgently to revive the dialogue with neighboring countries which has become unsettled because of the position and treatment of the Hungarian minority. Horn visited Slovakia, which has some 600,000 Hungarians, and is now preparing for talks with Romania, where 2 million ethnic Hungarians live.

"At the funeral for NATO Secretary General Woerner, I talked about this with my new Hungarian counterpart, Kovacs," Teodor Melescanu said in his study in Bucharest. "I told him what we wanted and I got the impression that the Hungarians are taking a pragmatic position. This is a chance that we cannot miss."

The opening comes at a time when the Hungarian minority in Romania is toughening up its attitude and calling for cultural autonomy, and at a time when the most outspoken nationalistic and anti-Hungarian party has gained access to the government.

Two weeks ago, Max van der Stoel, CSCE commissioner for minorities, was in Bucharest, where he called upon the authorities to have more respect for the rights of the Hungarian minority. Just one day later came the answer: The promotion of the Party of Romanian National Unity (PUNR) to the position of party in power.

"In a personal talk with me, a PUNR delegation assured me that this party also wanted a bilateral treaty with Hungary and that it was prepared to work on solving the minority problem," Melescanu said.

"The window to Budapest is open, but we will have to prove that the problems with the minorities can also be solved. The PUNR will have to prove that too. A great deal of very friendly pressure is being put on us, especially by the European Union (EU) countries. If we want to belong to the EU, then we have to at least show that we can solve our mutual problems."

Another neighbor causing Bucharest headaches is Moldova. In Bucharest's view, it is more a prodigal son than a neighbor because the former Soviet state was part of Romania until 1940. In the end, Moldova reached an agreement with Moscow regarding the withdrawal of Russian troops. "That will have a positive impact on stability in the region," Melescanu said. "We view the 14th Army as the largest source and basis of the conflict in the Trans-Dniestria. The decision came late in the day and the withdrawal is lasting a long time, three years. With this move, Moldova is actually behind the rear guard.

Romania still disputes the autonomy granted for the rebellious Trans-Dniestria. "According to the constitution, Moldova is a unified state. Independence is not possible in this context. Naturally, a certain form of local autonomy is possible, but that would be within the framework of a general decentralization of power.

Drawing new borders is not the solution. The trend in Europe is integration combined with local autonomy. What we are seeing here is disintegration. We are against the formation of Bantustans and for the creation of local autonomy with full respect for the rights of minorities and their cultural identity."

Reuniting Moldova with Romania is still high on the list of all Romanian political parties. Melescanu is keen to temper the excitement in this respect, although he does admit that some statements made by Bucharest are defiant.

"Our relations with Moldova are not the same as with Ivory Coast or India. We have the same heritage and culture, and we used to be a single state. We must make a serious effort to integrate. Such a move would result in a larger market with many advantages. However, we are two independent states which are closely linked.

"Of course, in the long term all Romanians should be united. That is normal. The question is simply when and how. In my personal opinion, this should happen with the simultaneous integration of Romania and Moldova into the European structures. That is why I am constantly acting as Moldova's advocate in this matter.

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"If we are both part of Europe, then our shared border does not mean much. We are not against Moldova's cooperation with the CIS. That is in their interest. We must not look at the world through just one window. We react too much to developments with outdated instruments: Thinking in terms of blocs, changing borders. This limits us enormously in terms of the possibilities available."

Romania also has a third neighbor, Serbia, which is no blessing. The trade embargo against the former Yugoslavia is an enormous economic loss for the Romanians, who estimate their loss at $8 billion. Requests for compensation made to the United Nations have fallen on deaf ears.

"We are now working to set up a mechanism to compensate countries which are victims of UN sanctions," Melescanu said. "Economic sanctions will be used with increasing frequency in the future as a means of exerting pressure. Neighboring countries always suffer the most and if nothing is done for them, the enthusiasm for a boycott will drop in the future."

"I am realistic and do not expect to receive a check from the United Nations tomorrow. Direct compensation does not seem feasible. However, there are other forms of compensation. We could be made responsible for supplying the peacekeeping force. Why should the supplies come from far away?

"Another possibility is that businesses in the neighboring countries would get priority in post-war reconstruction programs which must be financed internationally. In addition, it is not too much to ask when we will get preferential treatment in the aid programs of, say, the IMF and the Eastern European Bank."

TV Interview

LD0209221794 Budapest MTV Television Network in Hungarian 1940 GMT 2 Sep 94

[Excerpts] The news on Romanian Foreign Minister Teodor Melescanu's visit scheduled for 5 September has prompted a lively reaction by the Romanian and Hungarian political public. Melescanu will have talks with his Hungarian colleagues on the preparation of a basic treaty between our countries and on Romanian-Hungarian relations. The Romanian foreign minister received our film crew in his Bucharest office. [passage omitted]

[Begin recording] [Unidentified correspondent] Mr. Minister, you have mentioned the proposals by the Hungarian Democratic Union of Romania [HDUR] concerning the rights it wants laid down in the basic treaty. [passage omitted] I would like to hear what you have to say about the guarantees you offer.

[Melescanu, in Romanian with superimposed translation into Hungarian] [passage omitted] We must have talks with our HDUR colleagues so that they might accept that in the basic treaty there will be only some stipulations of a general nature and some promises—some undertakings, as they are called in legal terms.

[Correspondent] Let me bring up specific issues for which I would like to get a reply. For instance, the issue of the consulate.

[Melescanu] I think the reestablishment of the Cluj-Napoca [Kolozsvar] consulate will not be included in the basic treaty. [passage omitted]

[Correspondent] And what about the Law on Education and the Babes-Bolyai University?

[Melescanu] As you know the education bill is under discussion in the Romanian parliament. [passage omitted] I have to admit that we are resolutely in favor of joint education. In our view, schools teaching in different languages should be merged. [passage omitted] I think one of the most important foundation stones of a democratic society is the mutual tolerance and coexistence of different ethnic groups and religions. I think education in different languages would be good only in merged schools. [passage omitted]

[Correspondent] I think what you said is indisputable; however, in my view, the issue comes up from another angle. Do the Transylvanian Hungarians have the right to schools teaching in the mother tongue if they want to have such schools?

[Melescanu] Yes, I think it is appropriate, and nobody can dispute that right. Naturally, when we are talking about the government's policy and the question of financing comes into the foreground, it is conceivable that the whole matter is put in another light. But I think that this right cannot be disputed. [end recording]

ADEVARUL Interview

AU0509145094 Bucharest ADEVARUL in Romanian 1 Sep 94 p 1

[Interview with Romanian Foreign Minister Teodor Melescanu by Bogdan Chirieac; place and date not given: "Editing Is the Last Obstacle in the Path of a Romanian-Hungarian Treaty"]

[Text] [Chirieac] Mr. Minister, on 5 September you are going to be in Budapest and, together with your Hungarian counterpart, will try to smooth the path toward the signing of a bilateral treaty. What are the obstacles that still have to be overcome?

[Melescanu] I would like to say that the major part of the Romanian-Hungarian treaty has been already drafted. There are two issues that still present certain difficulties, and I would particularly like to stress that these difficulties are connected with editing tasks. The first problem refers to the engagement that the sides have no territorial claims and the second refers to the protection and promotion of the rights and freedoms of people who belong to national minorities. Neither the Romanian nor the Hungarian side has contested in any way, implicitly

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or explicitly, the importance of including such provisions in the treaty. The problems refer only to the way in which they should be phrased.

Regarding the issue of borders, I believe that the new government in Budapest, including the prime minister, has adopted a certain position in this respect, and there are certain practices at European level that are going to simplify our task. Regarding the issue of national minorities, there are such important improvements at European level that I do not believe that our task will be extremely difficult. I believe that in the time that our negotiations were at a stand-still, Romania developed a lot: It has become a member of the Council of Europe, it ratified the European Convention on Human Rights, and it accepted a system of very strict control in this respect.

[Chirieac] Does the participation of the PUNR [Romanian National Unity Party] in the government increase or reduce the chances for a "historic conciliation" with Hungary?

[Melescanu] Your question is the subject of some internal, but mainly external, speculations. I am going to tell you with the greatest frankness that I view the PUNR's participation in the government as a positive factor in Romania's relations with Hungary. It is one thing to have a party that is free to express its position toward this or that action in the area of foreign policy and something else to have the respective party in a position to act for the promotion of the government program, which is the program that was forwarded by the PDSR [Social Democracy Party of Romania] and endorsed by the parliament. In fact, the PUNR communique has also expressed very clear and open support, not only for the most rapid finalization of the bilateral treaty, but also for the normalization and revival of Romanian-Hungarian relations.

[Chirieac] Throughout this process, have you noticed an attitude of cooperation of the UDMR [Democratic Union of Hungarians in Romania] or, on the contrary, has this party increased its demands?

[Melescanu] The UDMR, as an ethnic party, is duty-bound to keep the promises it made to its own electorate. When a favorable moment arises, it is normal to try and make full use of its trump acrds, not only in relations with the Romanian Government, but also the Hungarian Government. I believe that, this time, the UDMR tried to forward its political program. What I want to explain to the UDMR—and I am going to do so during the meeting that I will hold with the leaders of that party—is that, in fact, the problems that they come up with cannot be solved in a Romanian-Hungarian basic treaty. All we can do in this treaty is to establish a bilateral framework of cooperation that will also include the problems of minorities. However, the majority of the UDMR's claims cannot be solved through a treaty with Budapest, but in the Bucharest parliament. However, the act of signing this treaty should not be overlooked, because it will create a favorable climate also for debates in Romania's parliament on the education law, the minorities' law, and many other documents that are of great interest to all minorities in Romania.

[Chirieac] Do you believe that the treaty will be signed by the end of this year?

[Melescanu] I do not believe that it is possible to finalize this treaty by the end of this year. However, I believe that it will be concluded by the beginning of next year. By the end of the year, our experts will have to reach an understanding on certain formulas or will have to reach an agreement on an alternative in editing the two issues. I would say that my forecast is also supported by an external factor, namely, the very ardent wish of the European Union, also expressed through the Balladur Plan, to greatly encourage all associate countries to conclude bilateral treaties with one another.

Tokes Doubts Government Desire for Treaty

AU0309160994 Bucharest Radio Romania Network in Romanian 1700 GMT 2 Sep 94

[Text] The latest developments do not cause us to trust the honest desire of the Romanian Government to conclude a basic treaty between Romania and Hungary, Laszlo Tokes, honorary president of the Democratic Union of Hungarians in Romania [UDMR], said today at a UDMR news conference. These reservations, Laszlo Tokes said, arise from our decade-long experience and refer to a certain policy practiced in the communist regime, when the states reached agreements among themselves without taking into consideration the problems of the minorities. That position, Laszlo Tokes said, can still be felt in the present, thus legitimizing the UDMR's desire to become a partner in the negotiations on a treaty that will seal the fate of the Hungarian minority.

Referring to today's meeting between the UDMR delegation and the Romanian foreign minister, Mr. Teodor Melescanu, UDMR President Bela Marko appreciated the fact that the UDMR was recognized as a representative of the interests of the Hungarian community in Romania. He emphasized that the meeting with the Romanian foreign minister was an opportunity for a political dialogue and a useful exchange of views.

Considering that good Romanian-Hungarian relations represent an important element of Romania's integration in the European structures, the UDMR leaders assessed the current international political moment as being favorable to the conclusion of a Romanian- Hungarian basic treaty. This is in contrast with the internal political moment, which, in the opinion of the same party leaders, does not reflect the political will to profoundly resolve the problem of the Hungarian minority in Romania.

In view of these two elements, the UDMR leadership believes that, aside from stipulating certain general principles in the respective treaty, it is necessary to also

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adopt a parallel convention—an additional act to the treaty—that should specify the concrete problems and envisaged solutions for the Hungarian minority in Romania and the Romanian minority in Hungary. Invoking international precedents, the Romanian minister of foreign affairs did not agree with this viewpoint, as Teodor Melescanu considered the inclusion of the minority issues in the basic treaty as being sufficient, the participants in today's UDMR news conference emphasized.

General Comments on Abolition of Defense Office

AU0209151494 Bucharest EVENIMENTUL ZILEI in Romanian 29 Aug 94 p 4

[Report by Oana Maiuga: "The Presidency's Directorate for Defense, National Security, and Public Order Has Been Dissolved"]

[Text] Major General Gheorghe Carp's departure from the Presidency and his return to the Ministry of the Interior was effected according to his wishes, Colonel General Vasile Ionel explained in an interview with MEDIAFAX. In connection with General Carp's replacement, Colonel General Vasile Ionel said: "Meanwhile a new law has been passed on the organization and functioning of the Presidency, which will acquire a new organizational structure. The Directorate for Defense, National Security, and Public Order, headed by General Carp, no longer exists under this new law. Given this, we will see which departments are going to be headed by military men in the new structure that, in accordance with the law, will be approved by President Ion Iliescu."

Colonel General Vasile Ionel said that he has known Major General Gheorghe Carp since the latter was adjutant with the General Staff. Colonel General Vasile Ionel was the one who suggested that General Carp should be transferred to the Ministry of the Interior. In connection with the cooperation when General Carp was working with the Presidency, Vasile Ionel said that he has nothing with which to reproach General Carp.

Iliescu Appoints Presidency Department Chiefs

AU0209184194 Bucharest Radio Romania Network in Romanian 1700 GMT 2 Sep 94

[Text] We received the following press communique from Romania's presidency:

Following the adoption of Law No. 47/1994 on the Organization and Functioning of Romania's Presidency, the Romanian president made the following appointments in the leadership of the presidential departments: Traian Chebeleu was appointed presidential counselor for foreign policy and spokesman; Gheorghe Fuga, presidential counselor for domestic policy problems; Marius Guran, presidential counselor for science, education, and culture; Colonel General Vasile Ionel, presidential counselor for defense and national security; Misu Negritoiu, presidential counselor for economic matters and reform; Paul Dobrescu, state counselor for mass-media; and Nicolae Popa, presidential counselor for legal and legislative problems.

The appointments to the other positions in the presidential departments will be made in accordance with the rules on the organization and functioning of Romania's Presidency.

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UN Blames Serbs for Cancellation of Pope's Visit

AU0709114094 Paris AFP in English 1043 GMT 7 Sep 94

[Text] Sarajevo, Sept 7 (AFP)—The United Nations on Wednesday [7 Sep] blamed the cancellation of Pope John Paul II's visit to Sarajevo on Bosnian Serbs, the force besieging the city.

The Serbs had refused to guarantee the pope's safety.

Security in the Bosnian capital "hinges on both parties," a UN Protection Force spokeswoman told reporters.

Asked if a positive statement from the Serbs would have enabled the papal visit to go ahead, spokeswoman Claire Grimes said: "Absolutely."

The one day visit, scheduled for Thursday, was cancelled late Tuesday on security grounds. The pope's personal vehicle, popularly known as the popemobile, had already been flown to Sarajevo.

Announcing the cancellation, the Vatican said the pope had always insisted on receiving guarantees for the security of people who would flock to see him.

The Bosnian Serbs, long opposed the visit, had claimed that an attack might be made against the pope by the Bosnian authorities who would then seek to blame the Serbs.

Bosnian President Alija Izetbegovic expressed regret over the cancellation.

The pope said Wednesday that it had caused him "deep suffering" to cancel the visit, and that he "firmly intended" to visit Sarajevo "as soon as possible."

Izetbegovic Comments

AU0609185294 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1700 GMT 6 Sep 94

[Text] We have just received the following statement from the Office of the President of the Bosnia-Herzegovina Presidency. The president of the Bosnia-Herzegovina Presidency today received the papal nuncio in Bosnia-Herzegovina, Monsignor Monterisi. The Holy See's envoy acquainted President Izetbegovic with the circumstances surrounding Pope John Paul II's planned visit to Sarajevo. After assessing all the circumstances regarding this visit, it has been decided that the pope would postpone his visit to Sarajevo. This decision was particularly influenced by Yasushi Akashi's assessment, contained in a letter, that it was necessary for the Vatican to be aware of the serious risks involved in this visit and the UN Protection Force's constraints as regards providing security for the visit. Monterisi presented Izetbegovic with a copy of Akashi's letter and informed him that the pope would serve mass for Bosnia- Herzegovina on 8 September in Castel Gandolfo. On this occasion, the pope will deliver the speech that he had intended to deliver in Sarajevo.

President Izetbegovic expressed regret [words indistinct] that he had been ready to escort the pope for the entire length of his sojourn in Sarajevo, and said that many Catholic believers who were awaiting the pope's visit with great interest and all the citizens of Bosnia-Herzegovina would be disappointed.

Assembly Chairman, Deputies Discuss Federation

AU0609202494 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1700 GMT 6 Sep 94

[Text] The implementation of the Federation Constitution in the transitional period was discussed at today's meeting between Mariofil Ljubic, chairman of the Constituent Assembly of the Bosnia-Herzegovina Federation and heads of deputy caucuses in the assembly. The next session of the assembly was also set.

It was assessed that the implementation of the Federation Constitution was being delayed in certain parts of the Federation and that it was necessary for the executive bodies—the Federation president, vice president, and the government—to undertake all the measures necessary for establishing communal councils as soon as possible, and electing the councils' bodies of authority and communal prefects. The same applies to the cantons where legislative bodies need to be elected, cantonal legislation passed, and, in accordance with the same, executive bodies elected. The Federation Government will submit a report on the constituting of communes and cantons at the next session of the Constituent Assembly to take place at the end of this or the beginning of next month.

Federation President Zubak Addresses Public

AU0609185794 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1700 GMT 6 Sep 94

[Text] Kresimir Zubak, president of the Bosnia-Herzegovina Federation, gave an extended address to the public in light of an interview by Alija Izetbegovic, president of the Bosnia-Herzegovina Presidency, that was published in SLOBODNA DALMACIJA.

Emphasizing the fact that there are actions that could cast doubt on the determination and resoluteness of the Croats in the implementation of what has been agreed, Kresimir Zubak, president of the Bosnia-Herzegovina Federation, stresses that similar occurrences are also taking place on the territories controlled by the Bosnia-Herzegovina Army, singling out the fact that the Croats are being forcefully mobilized into the Bosnian Army and, thus, forced to move away.

Kresimir Zubak emphasizes that negative aspects of the actions agreed in the establishment of the Federation come as a result of the willfulness of certain individuals, local potentates, and commanders and incomplete functioning of the law-governed state, and in no way represent actions approved by the official policy. Zubak emphasizes that some would like to believe that similar

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actions on the territories controlled by the Bosnia-Herzegovina Army are being caused by similar factors.

In the continuation of his address to the public, Kresimir Zubak, president of the Bosnia-Herzegovina Federation, concludes that the Sarajevo media are accusing the Croatian Defense Council [HVO] of the nonimplementation of the ways agreed upon for the better implementation of the Federation's Constitution. In the continuation, Kresimir Zubak wonders why his plan of activities for the setting up of the municipal and cantonal authorities is being disputed, why ministries and the government have not been fully constituted taking into account the appropriate ethnic representation, and what is happening with the diplomatic and consular missions.

Kresimir Zubak, president of the Bosnia-Herzegovina Federation, is of the opinion that we should concern ourselves with far more significant and important questions linked to the implementation of the Federation's Constitution than with incidents that are occurring but that should be discussed officially by the authorized representatives of the two ethnic groups, it is stated, among other things, in the address to the public by Kresimir Zubak, president of the Bosnia-Herzegovina Federation, in connection with the interview by Alija Izetbegovic, president of the Bosnia-Herzegovina Presidency, published in SLOBODNA DALMACIJA.

UN Suspends Sarajevo Aid After Planes Attacked

AU0709074694 Paris AFP in English 0723 GMT 7 Sep 94

[Text] Sarajevo, Sept 7 (AFP)—The humanitarian aid airlift to Sarajevo was temporarily suspended Wednesday [7 September] after maintenance crews discovered two UN planes had been struck by small arms fire, UN officials said here.

One aircraft was hit Tuesday and another probably Monday, said Peter Kessler, spokesman for the office of the UN High Commissioner for Refugees.

The report was confirmed by UN Protection Force spokesman Major Dacre Holloway, who added that it was unclear who was responsible for the attacks as neither crew had noticed the damage until after the planes had landed.

"Apparently an UNPROFOR [UN Protection Forces] aircraft was hit by some small arms fire yesterday morning," said Kessler.

"That incident is now being investigated but because of that the humanitarian airlift has been interrupted."

A top-level meeting of the five nations which assure the airlift operation—Britain, Canda, France, Germany and the United States—would discuss the security situation later Wednesday, Kessler said.

However, he said he hoped the suspension would only last half a day, predicting its resumption by Thursday.

Holloway said the damage to the aircraft was only noticed in Zagreb at around 4:00 p.m. (1400 GMT) Tuesday. One had a bullet hole in the tail, the other had been struck by two rounds, he added.

"There is absolutely no indication whatsoever" of who was responsible for the attacks "because we don't know when it happened."

"Because the crews did not report it when it happened we cannot prove it happened here at the airport" in Sarajevo.

The airlift only resumed on August 22 after being open only five of the previous 31 days.

UN: 'Ethnic Cleansing' of Muslims Increasing

AU0609134994 Paris AFP in English 1249 GMT 6 Sep 94

[Text] Geneva, Sept 6 (AFP)—'Ethnic cleansing' of Moslems by Bosnian Serbs has increased in recent days and is expected to intensify further in coming weeks, a UN High Commissioner for Refugees (UNHCR) spokeswoman said Tuesday.

More than 2,000 Moslems were forced from their homes in the eastern Bijeljina and northwestern Banja Luka regions Saturday and Sunday in what was the "worst weekend seen for a long time," UNHCR spokeswoman Christiane Berthiaume said, adding that may of those expelled had been hospitalized.

Since mid-July, at least 5,580 people have been expelled from these two areas, she said.

In Bijeljina Sunday night, Serb local authorities rounded up more than 780 displaced people. Women, children and the elderly were forced to pay 125 dollars each before being taken away in trucks.

Ten times the amount was demanded of the men, about 90 of whom were removed from the group in the town of Priboj and may have been taken to illegal work camps, Berthiaume said.

UNHCR officials have demanded a halt to the ethnic cleansing, but Bosnian Serb authorities have not responded, Berthiaume said.

Yasushi Akashi, the United Nations special envoy to ex-Yugoslavia, on Monday demanded an end to the continued "mass expulsions" and other crimes against non-Serbs.

Last Friday the UN Security Council also called on the Serbs to halt the expulsions.

Human Rights Offical Protests 'Genocide'

AU0609204794 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1700 GMT 6 Sep 94

[Text] Prompted by the new wave of genocide that the Serbian aggressor is carrying out on the Bosniak-Muslim

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and Croatian population in the temporarily occupied territories, Abdulah Konjicija, head of the Commission for Human Rights and Liberties in the Bosnia-Herzegovina Assembly, today sent a letter to Tadeusz Mazowietcki, the U.S. Congress, and the parliaments of Germany, France, Russia, and Great Britain that reads as follows:

On 2 September, 1,200 non-Serbs were expelled from Banja Luka, Sanski Most, Petrovac, and Kljuc. It has been announced that some 5,700 persons would shortly arrive in Travnik. Some 900 refugees from Semberija are already in Tuzla. The organizer of the expulsions from the Semberija area, war criminal Vojkan Djurkovic, has taken about 90 percent of men of military age to Chetnik concentration camps. All the refugees were robbed and they had to pay in order to move out.

Care of the expelled persons represents a great problem. We expect and demand that you initiate all available mechanisms and undertake more efficient measures to stop the genocide, the letter signed by Abdulah Konjicija reads.

UN Pinpoints Guns Firing on Sarajevo

AU0609194894 Paris AFP in English 1930 GMT 6 Sep 94

[Excerpt] Sarajevo, Sept 6 (AFP)—Eleven artillery shells fired from Bosnian Serb territory slammed into outlying areas of eastern Sarajevo, a UN spokesman said as mounting security fears forced the cancellation of the pope's planned trip to the Bosnian capital.

The shells were fired between 1130 (0930 GMT) and 1150 from between Dolovi and Sanac, about two kilometres (a mile) east of Sarajevo's Old City, said UN Protection Force [UNPROFOR] spokesman Major Koos Sol.

The point of attack was well within the within 20-kilometre (12- mile) heavy weapons exclusion zone imposed by the United Nations around Sarajevo.

Radio Sarajevo reported the shells landed in the Kozja Cuprija area of the city. There were no immediate reports of casualties.

Sol said the UN radar system Cymbeline had picked up the firing point, which explained why UNPROFOR had been able to pinpoint the attack so promptly.

The hi-tech equipment is not always activated but had been switched on ahead of the pope's visit, which had been scheduled for Thursday until the cancellation announcement.

UN spokesman Major Dacre Holloway said the radar indicated the shells were probably fired by field guns but refused to characterise it as an exclusion zone violation.

"It has not been proven so we are now at the stage as in law where someone is neither guilty nor innocent."

He said only artillery rounds above 81 mm breached the zone, although until the NATO ultimatum states every weapon bigger than 12.7 mm a violation. [passage omitted]

UN Reports 600 Daily Cease-Fire Violations

AU0609180494 Paris AFP in English 1730 GMT 6 Sep 94

[Text] Sarajevo, Sept 6 (AFP)—Eleven artillery shells fired from Bosnian Serb territory slammed into outlying areas of eastern Sarajevo in breach of the UN heavy weapons exclusion zone, a UN spokesman said Tuesday.

The shells were fired between 1130 (0930 GMT) and 1150 said UN Protection Force [UNPROFOR] spokesman Major Koos Sol.

Radio Sarajevo reported the shells landed in the Kozja Cuprija area of the city. There were no immediate reports of casualties.

The shells breached the 20-kilometre (12-mile) heavy weapons exclusion zone imposed by the United Nations in February following the Sarajevo market massacre in which 68 people died from the blast of a single shell.

Violations of the zone are a regular occurence, and UNPROFOR report an average of more than 600 cease-fire violations daily.

Muslims Launch 'Fierce Attack' on Serb Army

LD0609153494 Belgrade TANJUG Domestic Service in Serbo-Croatian 1443 GMT 6 Sep 94

[Text] Petrovac, 6 Sep (TANJUG)—Units of the Muslim 5th Corps of the so-called Bosnia-Herzegovina army began early this morning a fierce attack on the defense lines of the Srpska republic army on the Bihac battlefield, Serb military sources have reported.

According to the same source, from their strongholds in Brekovica, Spahici, Cekrlije, Vinica, and from the medieval castle of Sokolac, the Muslim forces loyal to Alija Izetbegovic opened fire from all available artillery on the Serb positions on Alibegovica Kosa and on the Grmusa-Grabez plateau.

This was followed by a powerful attack with infantry weapons. The Muslims are bringing in fresh forces and equipment in the area of Krupa na Uni.

TANJUG's reporter has learned unofficially that members of the 2d Krajina Corps of the Srpska republic army are resisting the fierce attacks.

There are no official reports on the consequences of today's fighting on the Bihac battlefield, which is still in progress.

'Joint Aggressors' Attacking Bihac Region

AU0709123494 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1000 GMT 7 Sep 94

[Mirza Sadikovic report]

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[Text] The joint aggressors continued attacking the Bihac region, which is a protected UN zone, and again targeted civilians in the Cazin and Bihac communes, as well as the general Buzim region and the free region of Bosanska Krupa. Last night, dozens of different projectiles were launched against the said regions. The most intensive shelling was launched on roads and facilities of vital importance, particularly in Bihac.

During this time, Karadzic's Chetniks did not stop attacking the defense lines on Grmusko-Srbljanski Plateau, Hasin Vrh, and the Grabez section of the battlefield. They are carrying out artillery and infantry attacks in waves, as well as trying to make up for any failures by shelling civilian targets. During the night and in the morning hours, our defenders repelled several attempts at breaking through and all defense lines are firm. Data on casualties in these barbarian shellings are still not complete. At least seven people have been killed, while more than 100 have been seriously or lightly injured. Among them are a considerable number of children, out of whom two have lost their lives.

Despite several protests by UNPROFOR [UN Protection Forces] against the continued shelling, the Chetniks are still using the Orkan missiles.

In this period, neither Martic's or Abdic's Chetniks were silent. During the night, the occasional provocations have grown into the attacks; they shelled the region of Bosanska Bojna.

The renegades of the war criminal Fikret Abdic are still following their leader's recipes, trying to get into Velika Kladusa at any cost and spread confusion there. Thus, one can learn from well-informed sources that Abdic plans to use international organizations and infiltrate his renegades as civilians into Velika Kladusa with a view to continuing fighting against his own people. By the way, in Velika Kladusa itself, life is (?more and more) resuming its normal course.

'Immense' Damage Reported

AU0609151794 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1300 GMT 6 Sep 94

[Report by Mirza Sadikovic from Bihac front]

[Excerpt] According to as yet incomplete information, seven people, three of them children, have been killed, while 100 have sustained light and serious injuries in the bestial shelling of the Cazin, Bihac, and Buzim regions. The chetniks fired several hundred howitzer, tank, and mortar shells, and six Orkan missiles at the area. The material damage is immense. In addition to this, combined artillery and infantry attacks that began in the early morning are not abating on the Grmusko-Srbljanski plateau, Hasin Vrh, Vrsac, and the Grabez part of the front. [passage omitted]

Croats Give Muslims 5 Days To Open Mostar Road

LD0609182294 Zagreb Radio Croatia Network in Serbo-Croatian 1700 GMT 6 Sep 94

[Text] The government of the Croat republic of Herceg-Bosna held a session in Mostar today. Zdenko Vranjes has the report:

[Vranjes] The Herzeg-Bosna government today called on the Muslim authorities in Mostar to open the so-called southern motorway—the road linking Mostar's southern suburbs with west Mostar. As this road remains closed to traffic, the citizens of the southern suburbs are compelled to reach Mostar by way of a much longer access road via Varda near Citluk, which poses a problem to schoolchildren and particularly sick people going to the hospital for haemodialysis treatment.

It was decided to give the Muslim authorities five days to open this thoroughfare and, if the situation does not change by then, the Herzeg-Bosna ministries will take reciprocal measures and bar passage to vehicles coming from the territory controlled by the Bosnia-Herzegovina Army.

Hans Koschnick issued a public statement today. The European administrator announced that the anxiety and fears inspired by the removal of the barricades near the European Union headquarters are unfounded. He explained that he has consulted on this matter with the representatives of both parts of the city. When told by the representatives of west Mostar that the removal of the barricades was none of their concern, he asked the UN Protection Forces [UNPROFOR] to secure free access to the European administration building.

In his statement the European administrator also assessed as groundless fears that the Bosnia-Herzegovina army might use the bridge in central Mostar constructed by UNPROFOR for military purposes. This is an improvised pontoon bridge intended for transporting building material for the reconstruction of the city, and it will be supervized by UNPROFOR, Koschnick claims.

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Granic Cautions Serbs Against Rejection of Plan

AU0609135394 Prague RUDE PRAVO in Czech 2 Sep 94 pp 1, 4

[Interview with Croatian Minister of Foreign Affairs Mate Granic by Vera Ivanovicova in Zagreb; date not given: "If the Bosnian Serbs Reject the International Plan, There Could Be a Military Clash"]

[Text] If the Bosnian Serbs do not accept the plan of the International Contact Group and Serbian President Milosevic does not agree to the Serb-Bosnian border being controlled, it is very likely that the Americans will lift the embargo on arms deliveries to Bosnian Muslims and a military clash could follow, Croatian Foreign Minister Mate Granic told RUDE PRAVO.

[Ivanovicova] A political solution does not exist?

[Granic] If the Bosnian Serbs accept the plan, a peaceful solution both in Bosnia and Herzegovina and in the entire region would be probable.

[Ivanovicova] Is there still hope, in your opinion?

[Granic] There is some hope. As long as Russian Foreign Minister Kozyrev trusts that Milosevic will succeed in putting aside Karadzic and the Bosnian Serbs agree to the peace plan there is a tiny hope left, I think.

[Ivanovicova] Can the three parties in Bosnia come to an agreement?

[Granic] Before the war the Serbs made up 31 percent of the population in Bosnia. However, they have seized 70 percent of its territory. This was a planned and well-organized military operation with Serbia's assistance. This is not to say that the Serbs do not have the same rights as Muslims or Croats. They are a constitutionally recognized nation in Bosnia and Herzegovina. The three nations must finally come to an agreement there.

[Ivanovicova] Many refugees from Bosnia are in Croatia. Are they a big problem?

[Granic] We have some 400,000 refugees today. Those are Croats, about one-half of whom has come from Bosnia. They represent a great burden when you consider that Croatia has a population of about 5 million.

[Ivanovicova] What is their situation like?

[Granic] Most of them are unemployed although there are some who have jobs. Our country is looking after them. In addition, we receive international food aid and clothing. But all that amounts to only about one-third of what the Croatian state spends [on refugees].

[Ivanovicova] Rumors have it that Croatia is preparing an offensive against Serb Krajina. Is that so?

[Granic] We will do everything we can for this problem to be settled by peaceful means. This does not depend on us alone. We would like the UN Protection Forces [UNPROFOR] to have a better mandate.

[Ivanovicova] In which regard?

[Granic] With regard to border control. Belgrade should not be allowed to militarily help Krajina and Serbs in zones that are under UN protection. That is a key issue. The most important thing would be for Serbia to recognize Croatia in its borders and vice versa.

[Ivanovicova] Would it have been possible to prevent clashes between Serbs and Croats in the past?

[Granic] Initially, the international community did not realize that this was a typical aggression against Croatia with a view to the formation of Greater Serbia and not a problem of minorities or ethnic Serbs. That was the main cause of the war. That does not mean, however, that the problems of minorities should not be discussed or that no progress can be achieved in this matter.

[Ivanovicova] What is Croatia's main problem?

[Granic] The reintegration of Croatian occupied territories. We want to achieve it peacefully, with the help of the international community. Croatia is ready to extend the UNPROFOR mandate, if we receive firm guarantees that our borders will be controlled and these territories will gradually become integrated into Croatia's jurisdiction, with the full protection of the Serbian ethnic community. This means the presence of international forces and observers as well as the presence of Council of Europe and CSCE missions. The other big problem is privatization, denationalization, and economic restructuring. The privatization process is making headway.

[Ivanovicova] How many enterprises have been privatized?

[Granic] At least 30 percent. By the end of the year we will launch the process of denationalization. The process of economic restructuring, of great systemic changes, is being implemented concurrently. We will be facing some social tension as a result, although at present we probably have a lower rate of inflation than any other country. We expect the rate of inflation for the whole year to reach 3 percent. It used to be 30 percent a month.

Owen, Stoltenberg, Tudjman Hold Talks

UNPROFOR Discussed

LD0609202994 Zagreb Radio Croatia Network in Serbo-Croatian 2000 GMT 6 Sep 94

[Excerpts] President Tudjman received peace mediators Owen and Stoltenberg at the presidential palace this evening. [passage omitted]

[Correspondent Tihomir Vinkovic] Of course, with President Tudjman, we spoke mostly about the UN Protection Forces [UNPROFOR] mandate in Croatia, Lord Owen stated following the talks. We also spoke about the possibility that UNPROFOR might leave Bosnia-Herzegovina, and the consequences that this might have on the situation in Croatia.

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We briefed President Tudjman about our talks with Milosevic and Bulatovic, Owen said, repeating that the most important thing for resolving the Bosnia-Herzegovina problem was that the Bosnian Serbs accept the principles of the Conctact Group plan.

Owen also said that his and Stoltenberg's visit to Knin was postponed due to transport difficulties. I hope that we will nevertheless go to Knin tomorrow, Owen said, adding that the most important thing is to resume negotiations on economic and traffic issues between the Croatian Government and the local Serbs from the UN-protected areas as soon as possible.

Stoltenberg said that it is difficult to separate economic from political issues in Croatia and that UNPROFOR had come to Croatia to help, but if it was unwanted it could go.

Ministers Attend Talks

LD0609172894 Zagreb Radio Croatia Network in Serbo-Croatian 1700 GMT 6 Sep 94

[Excerpt] President Tudjman has received in the Presidential Palace peace mediators Owen and Stoltenberg.

On the Croatian side the talks are being attended by ministers of foreign affairs and defense, Granic and Susak; Hrvoje Sarinic, head of the Office for National Security; Ivic Pasalic, the president's adviser for internal policy; and Branimir Jaksic, deputy head of the president's office. Owen and Stoltenberg are accompanied by their deputies, ambassadors Ahrens and Eide. [passage omitted]

Talks With Martic Postponed

LD0609154994 Belgrade TANJUG in English 1534 GMT 6 Sep 94

[Text] Knin, Sept. 6 (TANJUG)—Talks between international mediators Thorvald Stoltenberg and David Owen with republic of Serb Krajina president Milan Martic have been postponed from Tuesday to Wednesday.

The Serb Krajina president's office said the co-chairmen of the conference on former Yugoslavia were unable to reach Krajina's center of Knin from the city of Dubrovnik in Croatia.

The talks will cover certain economic questions important for the resumption of the peace process between Serb Krajina and Croatia.

Serbs formed the republic of Serb Krajina in 1991 in answer to the forcible secession of Croatia from the former Yugoslavia, refusing to be stripped of their national rights and be proclaimed a national minority under the new Croatian constitution.

Following armed clashes between forces of Serb Krajina and Croatia, which does not recognize the former, Serb Krajina was proclaimed a United Nations-protected area in the spring of 1992.

Ambassador to Greece Comments on Relations

AU0609171194 Split NEDJELJNA DALMACIJA in Serbo-Croatian 26 Aug 94 pp 4-5

[Interview with Ivica Mastruko, Croatian ambassador to Greece, by Senol Selimovic; place and date not given: "Greece Wants Croatia in the Balkans"]

[Text] Having left the Faculty of Philosophy in Zadar, Ivica Mastruko, a sociologist of religion and author of four books in that field, has become doyen of Croatian diplomacy within a relatively short period. He started his diplomatic career as ambassador of the former SFRY [Socialist Federal Republic of Yugoslavia] to the Vatican. In the critical moments when the independent Croatian state was being created, he managed to "seize" the offices of the Yugoslav embassy, he turned it into the embassy of the Republic of Croatia, and handed his duties over to his successor Ivo Livljanic. Since the incomplete Yugoslav presidency turned against him, he was, at one point, forced to demand diplomatic protection on the basis of the Vienna Agreement.

After the Vatican he carried out the duties of Croatian ambassador to the Republic of Italy for a while, and seven months ago he took over the duties of ambassador to Greece, the country whose high officials have openly shown affinity toward the present Serbia, and who can often be seen meeting with the Serbian leadership in Belgrade and in Pale. However, many believe Mastruko was one of the very few who could bite this sour apple of Croatian diplomacy and go to Athens, which not only shows an inclination toward the country we are at war with, but its public is so unused to the name of Croatia, that there were many misunderstandings in the beginning, as Mastruko said; namely, Kroatia (Croatia in Greek) was mostly confused with Korea.

[Mastruko] During the early stages of creating the Croatian state, Croatian diplomacy did not have many professionals. In the entire former Yugoslav diplomacy there were 15 ambassadors who were originally from Croatia, which does not mean that they were all Croats. Of all those, there were only four who carried out their duties in a professional and patriotic manner and remained in ambassadorial positions. I think that I was appointed ambassador of the Republic of Croatia in Greece primarily according to professional criteria and following minister Granic and President Tudjman's decision, so I do not see this job as a "sour apple" or a "hot potato," but simply as a professional duty that had to be done at a certain moment.

To use the vocabulary of soccer, as I once did with my minister: He is the team coach, and whether I play left wing or right back is primarily up to his and the president's professional judgment. It is only with such a professional approach that important results can be achieved in Croatia's foreign politics. On a personal level, as I explained, jokingly, to my friends, I experienced this as my continued journey in history: That is, I

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started with Jesus Christ at the Holy See, then I went to Rome, a little further back into history, and then I continued into Greece, hoping that I will not end up in Mesopotamia, although I would not mind.

[Selimovic] What is Greece's political and economic role in the resolving of the Balkan crisis?

[Mastruko] This is, primarily, the part of Europe that is happy to call itself the Balkans, that is, there are none of the negative connotations attributed to the Balkans in other parts of the world. For instance, many companies and institutions at the level of political and economic life contain the name of the Balkans. Thus you have "the Balkan initiatives," "the Balkan cooperation," "Salonika as the capital of Balkan economic trends" and so on.

Greece as a state is identified with several areas of activity. They primarily include the Mediterranean, which Greece culturally, historically, and regionally belongs to, and the Balkans as the second area in which it feels it is a country through which other Balkan countries, including the Black Sea countries, can enter the European integrations. Greece is the only European Union member in the Balkans, through which European capital and political influence can penetrate the Balkans and the Black Sea. Here I primarily have in mind Romania, Bulgaria, Ukraine, and Serbia, which are included in all of Greece's financial and political plans.

[Selimovic] So, behind Greece and Serbia's political proximity there lies concrete economic interest, rather than various mythological prejudices, as the Serbian media often say?

[Mastruko] This is only one of those aspects, later used to rationalize political interests. There are no great loves in politics; there is only interest, which can be defined as political, but ultimately it always boils down to economic interest.

[Selimovic] Why is Croatia so distant from the sphere of Greek interests?

[Mastruko] Greece is a country that is trying very hard to include Croatia in all the Balkan initiatives—this has been true for at least the seven months that I have been there. However, I had to discourage the Greeks about this. I have tried to define Croatia as a Mediterranean country in relation to Greece. I had to clearly state that Croatia was not prepared to participate in any Balkan initiatives at the institutional level. Croatia is not prepared to become a member of the institutional forms of Balkan cooperation, but at the same time it is prepared to have great bilateral cooperation with each of the Balkan countries. Identifying Croatia with some "institutionalized Balkans" may be reminiscent of certain former associations, which could reflect unfavorably on Croatia. Moreover, it is known that we want to identify with the countries of the central European initiative (Hungary, Poland, the Czech Republic, Slovakia, Austria, Italy, Slovenia), and we are prepared to cooperate with Greece at all levels, including the institutional, in the Mediterranean area.

[Selimovic] In view of this, what is your opinion of Croatia and Greece's present bilateral relations?

[Mastruko] Greece recognized Croatia when the other European Community countries did, and diplomatic relations were established in 1992, but we had practically no contacts before our embassy was established in Athens. The embassy activities started early this year, that is, when Greece started its presidency of the European Union. We have had formal contacts in the past six or seven months, and the Greek parliament has decided to establish its embassy in Zagreb by the end of this year. I can say, without exaggeration, that in the past six months we have managed to establish really good relations between Greece and Croatia on the bilateral level. We initialed the agreement, and I expect that the formal signing of the first agreement on industrial, trade, and other forms of cooperation between Greece and Croatia will take place in September. This agreement should be a clear sign to the entrepreneurs of the two countries that there are no political obstacles to establishing a more extensive economic cooperation. The agreement on scientific, cultural, and educational cooperation between the two countries is also being prepared, and so is the agreement on the abolishment of visas both ways, which implies opening up in a very specific way.

[Selimovic] As far as visas are concerned, how does Greece treat the citizens of the "FRY [Federal Republic of Yugoslavia]"?

[Mastruko] They must also have visas. Of the former Yugoslav states, the Greeks have abolished visas only for Slovenians, and they are prepared to do the same for Croatians. The citizens of Serbia and Montenegro will still need visas, probably for an indefinite period, and the same, of course, goes for Macedonia [The Former Yugoslav Republic of Macedonia—FYROM], which Greece has not recognized even by its transitory name of "the former Yugoslav republic of Macedonia"—the term "the Republic of Skopje" is used in the press and on the colloquial and political levels.

[Selimovic] It is a well known fact that there are many Serbs in Greece. The Western European press has written about this phenomenon. Could you describe this atmosphere of Greece as "paradise for the Serbs"?

[Mastruko] All the public opinion polls in Serbia have shown that there is a five times greater percentage of Serbians who consider Greece to be their most loyal friend than those who believe it is Russia. The reasons for this are primarily historical and cultural. Greeks highly value, and they always will, the military and political cooperation and alliance with the Serbs during the past two centuries, starting from the liberation wars over the Turkish domination in these areas, to the Balkan wars and the world wars. There is a deep emotional link there, but these connections and the friendship between Greece and Serbia or any other country need not stand in the way of good bilateral relations between Croatia and Greece. During my stay in Greece

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I never experienced any incorrect behavior or any indication of lack of inclination for cooperation with Croatia either on the part of the most ordinary Greek citizens or the leading political structures. We from Croatia have received a very hospitable and friendly reception.

[Selimovic] You have not fully answered my question about the Serbs in Greece. How many are there and what are they doing in Greece?

[Mastruko] Yes, there are many Serbs in Greece. There are various types of people who moved from Serbia and Montenegro for military-political or other reasons, and found refuge in Greece, or else they are people who have found business interests there as entrepreneurs. That is, it is known that a great number of Serbians and Montenegrins have companies, shops, and the like here in Greece. I do not have any specific data, but the figure in use is about 100,000 Serbs in Greece, most of them in the area around Salonika and in Athens.

Despite this, I must repeat that, although according to diplomatic custom in Greece there is always a little Croatian flag on the car I drive in, I have never had any unpleasant experiences.

[Selimovic] Is there a significant number of Croats in Greece?

[Mastruko] As regards number, the presence of Croats in Greece is negligible. There is a number of mixed marriages—mostly Croat women married to Greeks, and then there are Croats working in various shipbuilding companies, who are married to Greek women, as well as several Croatian athletes. The soccer player Zajec is a highly respected citizen in Greece; there is also our Vrankovic, whose name in the press always appears as "Hrvat Vrankovic" [the Croat Vrankovic], then Nakic, who was for a while manager of the Greek water polo national team, his son Franko Nakic, who plays for the Greek basketball team, and a number of soccer players from Croatia who play in the second league.

[Selimovic] Finally, I would like to ask you about something concerning your arrival on the Croatian diplomatic scene. Allegedly, your diplomatic career was at a certain point conditional upon membership in the HDZ [Croatian Democratic Community], which you managed to avoid?

[Mastruko] No, that was never a condition, but there were invitations, not only by the HDZ, but by most of the other parties. My strict principle in this respect, which I have abided by since the Croatian diplomatic corps was first formed, is that it is not important whether an ambassador is a member of any political party—on the contrary, I think that they should not be. I represented the thesis, supported by my superiors in the Ministry, and the president himself, that while I am abroad any party commitment is out of the question; that, as a top professional, I should represent the interests of the Republic of Croatia, and that my political engagement will be possible when I return to the country and possibly become involved in the internal political scene. The fact that I am one of the few professionals—in fact, as far as I know, there are only one or two of us ambassadors who are not members of any political party, speaks for the professionalization of Croatian foreign politics, and I would be glad to see more such examples in the future.

Budisa Calls For Zagreb-Sarajevo Military Pact

AU0209200894 Zagreb GLOBUS in Serbo-Croatian 26 Aug 94 pp 11-13

[Interview with HSLS leader Drazen Budisa by Davor Butkovic; place and date not given: "The HSLS No Longer Supports the Government: Prime Minister Nikica Valentic Has Brought Great Discredit Upon Himself by Suppressing the Freedom of the Press!"]

[Text] [Butkovic] What is your comment on the fall of Fikret Abdic?

[Budisa] After the signing of the Washington Agreements this was to be expected. Namely, when the Bosniak-Croat conflict ended, and the creation of the Bosniak-Croat Federation began, the idea of "west Bosnia" became a nonsense, although, when the solutions for the internal organization of Bosnia-Herzegovina were first sought, it may have been even stimulating, particularly for the Croats, who also expressed demands for autonomy, especially in parts of Bosnia-Herzegovina where they are a minority.

However, after the Washington Agreements all this became pointless. Fikret Abdic should then have dissolved his armed forces and pledged his loyalty to Sarajevo. What has happened to him now is a logical ending to the politics that he conducted.

Naturally, the fall of "west Bosnia" is at the same time a great human drama, and it could have grave consequences for Croatia, as there are thousands of people waiting at the border of the free part of the Republic of Croatia. This drama is to a great extent a consequence of Abdic's evident cooperation with the Serbian aggressor.

[Butkovic] What is your opinion of the way Croatian politicians—and not only representatives of the party in power, but also the opposition—have treated Fikret Abdic? Although what Abdic has done in Bosnia could be compared only to the proclamation and secession of, for instance, the "Dubrovnik republic" in 1991, Abdic at a certain time had the open support of both the state authorities and part of the opposition.

[Budisa] The affinity toward Abdic, which was mainly expressed by Croatian state policy and by the opopsition only to a small extent, can be interpreted as a reaction to Abdic's opposition to Izetbegovic, against whose army the HVO [Croatian Defense Council] in Bosnia-Herzegovina waged war for a year. All these things were wrong policies: first fighting the Muslims and then

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supporting bdic's secessionism. Croatian politicians—both those from the HDZ [Croatian Democratic Community] and some from the opposition—naively believed that in this way he would make Izetbegovic weaker and force him to make concessions to the Bosnian Croats.

Moreover, I can unfortunately not exclude this calculation either: You are well aware of the HDZ leaders' statements that Croatia has an unnatural shape, that Croatia cannot be a "croissant"; we both know that so-called "Turkish Croatia" [Bosnia-Herzegovina] was always also counted on as a possible constituent part of the Republic of Croatia. I believe that some Croatian state officials were planning to annex Abdic's "west Bosnia" to Croatia in the event that Bosnia-Herzegovina finally disintegrated.

[Butkovic] Do you think that the Republic of Croatia should grant asylum to Fikret Abdic, considering that the Bosnia-Herzegovina authorities have brought charges against him for war crimes and treason?

[Budisa] It would be better if Fikret Abdic did not even try to seek refuge in Croatia. However, if nothing else is possible, I would approve of our authorities granting asylum to Abdic.

[Butkovic] Why?

[Budisa] For humanitarian reasons.

[Butkovic] What do you mean? Abdic has been charged with war crimes....

[Budisa] Croatia has taken in hundreds of thousands of Muslims without asking about their political orientation. I think that, if the worst comes to the worst, the same should be done with Abdic, despite his cooperation with the Serbs. Naturally, I understand that this would present an additional burden on relations between Zagreb and Sarajevo, but I hope that Abdic will not ask for asylum in Croatia.

[Butkovic] How successful do you think the creation of the Croat-Muslim Federation in Bosnia-Herzegovina has been?

[Budisa] The process of constituting the federation has been too slow. The only optimistic sign is that the military conflicts between the Croats and Muslims have not resumed. The tension in Croat-Muslim relations is still too obvious. I must quote [Sarajevo Catholic] Archbishop Puljic's statement published in GLOBUS that the Sarajevo Croats were "buried alive." I have also received information about the difficult position of Croats in many parts of Bosnia-Herzegovina.

As far as the Croatian side is concerned, the politicians who state that they will formally implement what was decided in Washington, but that in reality they do not support it, are again the most exposed. I am not satisfied with the speed with which the Washington Agreements are being realized or with the establishment of the federation. I think that there is great resistance—on both sides—to the establishment of the Croat-Bosniak alliance. Many Croatian politicians see this as a dictate by the United States, and the Washington Agreements are contrary to their deepest political beliefs.

[Butkovic] However, the issue is not only the Croats from Bosnia-Herzegovina. Zagreb has appointed Dario Kordic, who opposes cooperation with the Muslims, as the new president of the Bosnia-Herzegovina HDZ.

[Budisa] Yes, the personnel changes in Herzeg-Bosna and the Bosnia-Herzegovina HDZ, on which Zagreb has crucial influence, best show that the Croatian state policy is again on the brink of a disastrously wrong judgment. It is obvious that the Croatian state authorities believe that Bosnia-Herzegovina, as an integral, internationally recognized state, has no prospects, that the 49 percent of its territory that the Contact Group has allocated to the Serbs will be annexed to Serbia, and that after this the Croatian part of Bosnia-Herzegovina should be annexed to Croatia.

In order to achieve this, the leading positions among the Bosnia- Herzegovina Croats must be given to people who will ensure this annexation once the Serbian part of Bosnia-Herzegovina is annexed to Serbia.

[Butkovic] You think that Zagreb has been preparing the Croats of Bosnia-Herzegovina, that is, the HDZ of Bosnia-Herzegovina, for a new war with the Muslims concerning the remainder of Bosnia- Herzegovina territory?

[Budisa] I do not wish to be as radical as that. I do not think that the HDZ is already preparing for a new war, but I am sure that they are starting from the mistaken assumption that the Serbs will be allowed to get 49 percent of Bosnia-Herzegovina territory, and that it will not be possible for Bosnia-Herzegovina to survive as a state.

However, I see the creation of the Croat-Bosniak Federation as only a step toward including the third party, the Serbs, in an integral Bosnia-Herzegovina state. Unfortunately, there are people in the Croatian authorities who are still making calculations about the disintegration of Bosnia-Herzegovina, and the personnel policy is therefore conducted in such a way to have people who are prepared to annex parts of Bosnia-Herzegovina that are under Croatian control.

[Butkovic] Would the final consequence of such policy not be a new war with the Muslims?

[Budisa] Unfortunately, yes! Clearly, if there is an attempt to annex part of Bosnia-Herzegovina to Croatia, the war with the Muslims would break out again. If this happens, the Croats would be in an even more unfavorable position than they were in a year ago; we have to

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face that. The HVO had to leave Mostar, which is only an illustration of the unfavorable military position of the Croats in Bosnia-Herzegovina, which means that another war with the Muslims would probably cause many casualties on their side.

Moreover, it is very important—if you allow me to return to the beginning of this interview—that we no longer have the ambiguous Abdic on the border between Bosnia-Herzegovina and the Republic of Croatia, but the strong 5th Corps of the Bosnia- Herzegovina Army instead. In the long run, the 5th Corps can be our most powerful ally, because the Chetniks of Kordun and Banija are now wedged between the Croatian Army and the Bosnia-Herzegovina Army. However, the role that the 5th Corps could play in the event that there were more Croat-Muslim conflicts is also clear.

[Butkovic] Do you think that what is contained in the Washington Agreements does not represent the real strategic orientation of Croatian policy, that Zagreb, in the long run, is not counting on good relations with the Muslims?

[Budisa] I must repeat that it is obvious that the United States took the Croatian politicians by the hand and led them where they should have gone on their own. This was later presented as the continuity of Croatian policy, although any reasonable person knows that this interpretation is ridiculous and that there is no continuity there. This is why it is difficult to speak about the sincerity of Croatian state policy toward the agreement with the Muslims.

[Butkovic] As opposed to these, provisionally stated, obstructions to the Washington Agreements, there is also a very clear way for Croatia to prove its sincerity over the cooperation with Sarajevo, as has been discussed by the Croatian state authorities. Namely, the possibility has been considered that if the Serbs categorically reject the peace plan, a joint Croat-Muslim campaign should be carried out against the [Bosanska] Posavina corridor, in which the Croatian Army would also openly participate. Do you support open intervention by the Croatian Army in Bosnia-Herzegovina on the side of the Sarajevo government?

[Budisa] I do not think that there should be any obstacles to the Croatian Army intervening against Serbian forces in Bosnia-Herzegovina, all the more so because Serbian attacks from Bosnia-Herzegovina on Croatia have become more frequent lately. This intervention should be preceded by a formal military alliance between Zagreb and Sarajevo.

You see, the Contact Group plan, which some people in Zagreb have proclaimed the recognition of a Greater Serbia, has several important elements that are highly unfavorable for the Serbian side.

One of them is the corridor, which has, at Brcko, been reduced to just one road. That means that the Serbs west of Brcko are, from a military and logistical point of view, in a completely inferior position, if only because the Croats and Muslims can cut this narrow corridor whenever they want to, and thus cut off the connection between Vozdovac and Benkovac.

The narrowness of this corridor provides a certain balance of power between the Serbs and the other two sides in Bosnia-Herzegovina, and even a balance of fear, because the Serbian military forces are isolated and no longer a particularly great danger to the Muslims and Croats.

Second, the Contact Group plan does not anticipate any access to the sea for the Serbs, which is also very important.

Third, the quality of the territory that the Serbs have been assigned is, objectively speaking, much worse than what the Croats and Muslims get. This way the disproportionate size of Serbian territory is compensated for.

If the Contact Group plan falls through, I claim that the Croatian Army should openly intervene in Bosnia, in cooperation with the Bosnia-Herzegovina Army.

[Butkovic] There are strong indications that Croatian officials, and particularly parliamentary deputies, organized the refugee protests against UNPROFOR. Do you believe that the refugees were politically manipulated in the course of the protests?

[Budisa] The refugees did quite certainly not block UNPROFOR against the will of the authorities. However, I cannot prove that the authorities directly organized the protests.

In the past month or so I have visited three refugee-blocked UNPROFOR checkpoints—in Otocac, Jasenice near Benkovac, and Pakovo Selo. To be honest, there were tensions and harsh words during these visits, because they knew that I felt that the blockade should be lifted. I visited the refugees directly and this was perhaps the reason the tensions were not even greater. In Pakovo Selo I managed to establish normal contact with the refugees and I spent several hours with them.

[Butkovic] What is typical of the atmosphere among the refugees at the blocked checkpoints?

[Budisa] At first, I did not feel any negative disposition toward me or the liberal party, or the opposition as a whole. However, there were suddenly four or five people who separated from a group of about 40, and at all the sites I was confronted with the same arguments and the same vocabulary. It was a barrage of accusations and insults to the opposition.

These talks were difficult, but open and sincere, and I again had the chance to see that some of the refugees are not only completely loyal to the HDZ and Dr. Tudjman, but that they are, unfortunately, also completely indoctrinated.

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The people at Otocac reproached me for supporting the lifting of the blockade. An elderly man told me: "Dr. Franjo Tudjman brought us here and he will take us back home. And you are demanding that we withdraw!"

I replied that Nikica Valentic had also demanded that they withdraw, which the refugees would not believe. I had to show them the newspaper, which they had obviously not read.

However, these are details that the press finds interesting, but the most important and truly tragic thing is that many of the refugees to whom I spoke believed that by blocking UNPROFOR they were not only carrying out their holy national duty, but, believe me, they were convinced that they would return home and thus bring the "Krajina" back into Croatia—if they withstood the sun for only a few more weeks at the checkpoints. They were sure that, with their protests against UNPROFOR, they would obtain their return home, and soon. Whoever made them believe that had them fooled once again. They will now be even more frustrated, even more disappointed than they used to be.

[Butkovic] It seems that Croatia now has only two options: either to agree to an incomplete Croatia, that is, to the cypriotization of Croatia for at least a few more years, or else to start the war for the liberation of the occupied territories. Which solution do you support?

[Budisa] I do not think there are only two options. I would like to repeat what I have already said for GLOBUS once: It is very clear that, in resolving the Serbian issue, Croatia will be pressured to go beyond the solutions anticipated by the present Constitutional Law on National Minorities, although, if it were to be implemented, it would guarantee the Serbs rights to a sufficient extent. In that case, I would have nothing against granting a greater degree of autonomy to certain parts of Croatia in which the Serbs are the majority, but Croatia has the sovereign right to new territorial organization and new definition of the local and regional self-management over the entire territory. With the new territorial division and regionalization the autonomy of the so-called Krajina would be levelled, while the rights of the Serbs would not be diminished!

As far as war is concerned, I think that both the Croatian authorities and the Croatian opposition should stop using the war rhetoric as reflected in the well-known formulation: "We support the peaceful solution, but...." This formulation only makes the Serbs in the occupied territories more homogenous and makes our friends in the West dislike us.

[Butkovic] You would therefore sooner accept the cypriotization of Croatia?

[Budisa] Not at all! I do not believe that this situation should last, that it is completely impossible for the status quo to remain for several more years. I think there is a solution other than war or the cypriotization of Croatia. First, the international community is neither allowed to nor would it allow itself to be responsible for the outbreak of war in Croatia.

Second, the closure of the borders on the Drina River against the Bosnian Serbs should not be underestimated. Not only are the Bosnian Serbs cut off now; Knin is also cut off.

In my opinion, the most important thing is that UNPROFOR should at least start to monitor the Croatian borders with Serbia and Bosnia-Herzegovina, and that this should start in eastern Slavonia and Baranja first, as the border is the shortest there. At the same time, eastern Slavonia is the part of Croatia that will be the most difficult to retrieve by military force, which is another reason for more radical changes in the UNPROFOR mandate.

[Butkovic] Do you think that the recent Brijuni announcement, issued by the HDZ Presidency and relating to the conditions under which the UN mandate in Croatia should be extended, is reliable?

[Budisa] I believe that it is all right to demand as much as possible during the period of negotiations, and that no one—either in the opposition or the authorities—has the right to lower the level of our demands.

[Butkovic] Will you return to parliament?

[Budisa] The opposition will decide on that in early September. Personally, I believe that we should return to parliament, which is supported by the majority of HSLS leadership members. Naturally, if the other opposition parties do not share our view on this, we will be flexible.

[Butkovic] The party in power has, in the negotiations that have been conducted so far, displayed exceptional arrogance. I told their representatives once that the conflict between the HDZ and the opposition would be very easy to resolve if the HDZ members had at least as much understanding toward the opposition as they have offered the Serbs in Belgrade or Knin.

We are now in a situation in which we are no longer to have any influence on the behavior of the party in power. We are also aware that many citizens have simply forgotten what the causes of the parliamentary crisis are and that they only know the opposition is boycotting parliament, God knows why.

Moreover, by boycotting parliament we have lost an important public forum in which to present our positions. Now there is no more opposition for the public.

These are all reasons why, in my opinion, the opposition should return to parliament.

[Butkovic] But, in that way you will be admitting defeat and making it possible for the HDZ to have parliament functioning normally, as if nothing had happened.

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[Budisa] I do not think that we would be defeated, as the public has seen for itself that the HDZ behaved undemocratically, contrarily, and arrogantly, and this should be reflected in the next elections. They still wish we would not return. However, we will not leave parliament to the HDZ!

As far as the so-called normal functioning of parliament is concerned, the readers should be reminded that parliament has already passed an act that required a two-thirds majority, which they, naturally, did not have, and this was, therefore, contrary to the Constitution. We have been putting together charges that we will file at the Constitutional Court. If we return to parliament, we will not recognize Nedjeljko Mihanovic as Assembly chairman; I have to emphasize this. He did not have a majority even within the HDZ.

[Butkovic] By returning to parliament, the opposition will, among other things, legitimize the increasingly strong antidemocratic tendencies in the authorities.

[Budisa] That there are antidemocratic tendencies is a fact. The announcement from the HDZ meeting on Brijuni shows that. This meeting is a cause for a study of the mentality of HDZ officials. First, they invite to Brijuni both the commander of the army and the head of the information service. This is all reminiscent of Tito's meetings for various politbureaus and executive committees.

Moreover, the announcement from the meeting on Brijuni speaks about "healthy forces in Croatia." This is frightening. Such vocabulary was used when they were arresting us in the early 1970's.

Finally, a banal question: Who paid for the HDZ members to go to Brijuni and for their stay there?

[Butkovic] Why did the HSLS not formally protest against Vesna Girardi Jurkic's [minister of culture, education, and sports] statement that tax was imposed on the FERAL TRIBUNE because it attacked the authorities?

[Budisa] This statement is a shameful one; some HSLS officials, including myself, have publicly said what they think of this interpretation of democracy.

[Butkovic] Why did Nikica Valentic, who, in his first prime minister's appearances, referred to the freedom of the press, not protest against his minister's statement?

[Budisa] It is obvious that Valentic has become completely irrelevant politically. I am sorry about this. His silence in this case, as in some other cases, indicates the lack of importance of his political position. I am deeply disappointed by his lack of response, which is contrary to his initial statements.

[Butkovic] Does the HSLS still support the government?

[Budisa] No, we do not support this government. We will not support a vote of confidence in the government if there is such a vote in parliament.

[Butkovic] What is your interpretation of Mate Boban's appointment to the position of head assistant to Franjo Greguric in Ina?

[Budisa] It is all part of the same story. It is obvious that Valentic and Greguric's faction has lost any real influence in the HDZ. The two of them are at present politically unimportant; HDZ policies are determined by other people. I am afraid that no one can count on the two of them to be a serious alternative. They have been defeated.

RSK Economy Affected by Serbia's Blockade

94BA0395B Belgrade VREME in Serbo-Croatian 15 Aug 94 p 16

[Article by F.S.: "Living With Bills: The Krajina Economy"]

[Text] What is the state of the Krajina economy? Although Borislav Mikelic, Krajina prime minister, admitted in the presentation of his program to the parliament (Knin; 21 April 1994) that "all assessments of the state of the economy are more the result of hearsay, individual experience, and impressions than reliable and verified data," the figures he presented on that occasion do not leave much room for optimism—on the contrary.

Employment

"It is estimated that the territory of the RSK [republic of Serbian Krajina] today has a population of 430,000, while only 36,000 are employed, which is 8.3 percent! The situation would be still more unfavorable if we took into account the number of those employed who are technologically redundant or those who are only kept on the list of the employed."

Salaries and Taxes

"The level of average earnings has not come even close to the subsistence minimum, and the level of collection of taxes to cover the budget amounts to only 8 percent.... Earnings from work are below the subsistence minimum, so that crime has become a legal means of survival."

Agriculture

"The situation in field cropping is illustrated by this figure. At the beginning of the year, in eastern Slavonia corn for the market had not been gathered on 15,000 hectares, or 30 percent, mostly on the land of state enterprises, and deep winter plowing was done on only 45 percent of the area.... Animal husbandry is recording still poorer results than field cropping. The remaining foundation herd and breeding material are about to be destroyed. The private sector is almost on the verge of producing to meet its own needs. The marketing of livestock and meat has problems even greater than those of field cropping.... It could happen, if the adverse

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processes are not halted, that the RSK could have problems feeding the population."

Tourism

"A prerequisite for use of these capacities (tourist capacities) is removal of the sanctions and a political solution—tourism presupposes complete personal safety and of the tourists and their property."

Industry

"Most industrial capacities were linked in their development and marketing to larger systems in Croatia, so that for all practical purposes they have been left without management and markets. Another essential characteristic of RSK industry is that there are hardly any capacities in the most propulsive branches (electronics, chemical engineering). A third characteristic is its high dependence on imports and minor reliance on the natural environment (the underdeveloped food processing industry and wood industry)."

Electric Power

"In 1993, it generated 275,972 MWh [megawatt-hours], which represents 684 percent of the plan, and consumption was 540,153 MWh, which is 90.5 percent of the plan."

Trade

"Hundreds of new enterprises, most of them in the trade sector, have been registered in RSK. RSK has very little benefit from the operation of those firms, because in most cases their activity falls in the area of the 'gray' economy and is causing great damage...."

Personnel

"One of the biggest problems of the RSK economy is the shortage of specialists and managers. Today, the economy is being run by personnel who have very little experience in management, and as a rule their education is strictly specialized. At the same time, there is very great pressure of unskilled manpower for employment at any price, so that enterprises are more social welfare institutions than economic entities."

Capital

"Although there are no precise figures, the financial potential of the RSK economy is minimal, so that it has very great difficulty maintaining even the present level of economic activity by virtue of its own potential."

Reserves

"Commodity stocks were almost entirely used up during the war, and the economy, instead of recording a growth of its assets, is recording a rapid loss on the basis of social contributions and widespread crime."

In his address, Mikelic enumerated the measures to invigorate production, which are based mainly on "integration with the economy of the FRY [Federal Republic of Yugoslavia]," that is "Slavonia, Baranja, and western Srem should relate their operation to Vojvodina, and northern Dalmatia, Lika, Kordun, Banija, and western Slavonia to the Banjaluka region and through it to the overall regional development of Serbia...." In other words, although its government will do everything to normalize conditions for existence to some extent, Krajina's survival depends exclusively on help from Belgrade. It is estimated, then, that these figures (there are independent assessments that the state of the krajina economy is much more serious) were presented in a fairly dramatic fashion in order to clearly indicate to all the political structures there who is the boss and where he is; a state in that condition cannot survive without help, nor is it possible to govern it, and it must be obedient so that that assistance does not stop. Finally, Mikelic also had this to say:

"I address particular gratitude to the distinguished leader and statesman who is today respected by the entire world—Slobodan Milosevic. His attitude toward the people in the krajinas has been that of a father and at the level of a statesman the people trust.... I am convinced that Serbia, that is, the FRY, will not leave us alone even in the most difficult situation." He does not mention Dr. Radovan Karadzic, leader of the Bosnian Serbs, which is no wonder. That is, he is barely maintaining his own creation, so that helping anyone is out of the question.

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Commission Evaluates Negotiations With Italy

AU0609173294 Ljubljana Radio Slovenia Network in Slovene 1330 GMT 6 Sep 94

[Report by Igor Juric]

[Excerpts] At the beginning of the discussion about the relations between Slovenia and Italy, Zoran Thaler, chairman of the Commission for International Relations, praised the government for defending Slovene interests well lately. Foreign Minister Lojze Peterle thanked him for the praise and said that the government intends to persist on the guidelines set by this Commission and the State Chamber because the agreements signed by the countries must be realized as Slovenia considers them valid.

In the continuation of the session, State Secretary Golob reported extensively about his recent talks with his Italian counterpart, Caputo. An important result of the talks was an agreement that the interstate Commission will continue with work even though the Italian side was initially opposed to this.

The Italians also insisted on all problems being resolved at lower levels prior to the Berlusconi-Drnovsek meeting, while our side believed that a lot can be resolved by the summit itself. In a joint statement, which they tried to impose on our side for signing, the Italians favored the facts that speak to their advantage, but ignored other issues. Ignac Golob once again stressed that he did not want to sign the statement—also because it did not mention the Slovene minority in Italy.

In the continuation of the debate, the deputies were of the opinion that the Italians have tightened relations because they expected speedy results that would earn positive political points for them. The majority of speakers, thus, agreed that Slovenia must respond to the Italian pressures unanimously and resolutely. Our country also expects an opinion of the Italian minority in Slovenia, which so far has not taken a clear stance on this problem. [passage omitted]

At the end of the debate, the deputies adopted some conclusions that should also be clear to Europe, because only in this way can we count on their support. Let me enumerate some of the most important conclusions: The Commission believes that dual citizenship is improper; the Slovene side should continue collecting data for the white book about injustices against the Slovenes caused by Italy; the Commission rejected accusations by (Mirko Tremaglia) about insufficient protection for the Italian minority in Slovenia and will, in a reply, remind him that his Foreign Affairs' Commission is responsible for the protection of the Slovene minority; the Commission will propose that the government internationalize the problem of Italian-Slovene relations and at the same time draft a proposal containing the maximal demands of our side in reply to the Italian demands.

Greece Supports EU Associate Membership Talks

AU0509160594 Ljubljana Radio Slovenia Network in Slovene 1330 GMT 5 Sep 94

[Text] Greek Prime Minister Andreas Papandreou in his response to a letter from Slovene Prime Minister Janez Drnovsek assured that his country has always been in favor of Slovenia's drawing closer to the European Union [EU]. He also emphasized that during its presidency of the European Twelve, Greece has done everything for the passing of a mandate on associate membership negotiations for our country.

Papandreou also expressed his personal support, as well as that of the Greek Government, for the efforts to pass the mandate and the favored strengthening of relations between Ljubljana and Athens.

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Federal

Milosevic's Letters to Serbian Leaders Viewed

94BA0394A Belgrade VREME in Serbo-Croatian 15 Aug 94 pp 18-19

[Article by the VREME Documentation Center: "Serbian Correspondence: Three of the President's Letters"]

[Text] The first letter was sent to Milan Babic, then president of the republic of Serbian Krajina [RSK] on 9 January 1992 (the Vance Plan); the second, which was cosigned (by Dobrica Cosic, former president of the FRY [Federal Republic of Yugoslavia], and Momir Bulatovic, president of Montenegro), to deputies of the Srpska republic [RS] assembly on 26 April 1993 (the Vance-Owen Plan), and the third he had delivered to POLITIKA director Hadza Dragan Antic as an press release on 31 July 1994 (the current peace plan of the Contact Group) and it concerned the Bosnian Serbs. All of them were first read by the announcers on government television before being forwarded to the rest of the media. It is particularly interesting to see how the letters were handled in POLITIKA, the oldest and most influential Belgrade daily newspaper; they were published on the right side of the front page along with Milosevic's photograph (the cosigned letter is an exception), and in the same place on the next day there was a photograph of Milosevic shaking hands, in the first case with Lord Carrington, who was then chairing the Conference on the Former Yugoslavia, and in the latter with Andrey Kozyrev, Russian foreign minister. To what extent did the Serbian president succeed in realizing his intentions made public in this way? The letter to Babic was a direct hit; not long after it was published, he was removed, and the Blue Helmets arrived in Krajina. The first one sent to the deputies of the RS Assembly, insofar as it was really thought that this was a form of pressure that would produce the implied result, ended up a complete failure: The Vance-Owen Plan was rejected, and the prestige of those exerting the pressure was questioned. The results of the third and last letter cannot be seen as yet. However, there are interpretations to the effect that because of the form—it was not directly addressed, but was issued as an announcement—represents Milosevic's abandonment of the Bosnian Serbs to their own fate, which is certainly anything but rosy. Nevertheless, although written on different occasions, these letters have many things in common.

Why the President Wrote Them

"I feel an obligation and responsibility to express my disagreement with your position..." (the letter to Babic), and "Having been informed about the irresponsible statements of certain participants in the debate in the RS Assembly, we deem it essential to write to you..." (the letter to the deputies), and finally "our public has been bombarded with examinations of the pros and cons, frequently going even into details that make things unclear..." (the announcement delivered to POLITIKA). The interpretation is that this means nothing other than what is clearly stated in the letter of the government of Serbia to the RS leadership on 3 August 1994: "And the fact should not be ignored that in the Serbian people there is only one president with a complete legitimate mandate elected directly by the people."

What Is the Issue?

"When preservation of peace and security is placed in the hands of the entire world, represented by the world organization, the question arises of whether it is possible to demand guarantees and what they might be..." (letter to Babic); "We are simply telling you that you must be reasonable in your demands" (letter to the deputies), and ... "a decision of that weight cannot be based on details..." (statement to POLITIKA).

In other words, the message is that there are no essential or real grounds for disagreement and rejection, but that this is a very suspect attempt to "ask for too much."

Would the President Have Written if He Had a Choice?

Probably not. "Although you personally informed me that you would entirely accept the decision of the Presidency in connection with arrival of the UN forces (...) you have turned a deaf ear..." (letter to Babic); "The talks which we have had in recent days with Owen (...) have removed the largest and very well-founded anxieties of the RS representatives," which in the presence of the three presidents "was communicated in detail and in official form to Radovan Karadzic and Momcilo Krajisnik" (letter to the deputies), and "We have expounded all these issues most frankly, responsibly, and fraternally (...) to the most responsible representatives of the RS and have achieved a high degree of understanding and concord with them on all the essential questions" (statement to POLITIKA).

So there, although everything was agreed and arranged, the leaders on the other side of the Drina have not shown themselves to be responsible and fair in difficult moments; "... I regard your negative attitude as an extremely irresponsible act" (letter to Babic); "This is not a moment to be bragging about our patriotism" (letter to the deputies), and "... the demand for still greater sacrifices of the citizens of the FRY and of the entire Serbian people cannot be defended on any moral grounds" (statement to POLITIKA).

What Is He Demanding?

In short: what he himself has already firmly decided on or accepted under the pressure of various arguments.

"... The citizens of Krajina should be aware that through your acts you have lost all confidence and that in the future you must delegate to relations with the Republic of Serbia people whose national interest will be above personal political prestige" (letter to Babic); "we are calling upon you to honor our categorical position and

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accept the Plan" (letter to the deputies), and "... accept the proposal of the international community..." (statement to POLITIKA).

Why?

"... the people should not have to make sacrifices because of the vanity of any politician" (letter to Babic); "The importance of the outstanding issues that remain cannot be compared to the immense casualties and property damage resulting from continuation of the civil war" (letter to the deputies), and "... bringing about conditions for removal of the sanctions is at this point the least that citizens of the FRY can expect of the citizens and leadership of the RS" (statement to POLITIKA).

And Yet Another Explanation

"The fact that Serbia has been rendering comprehensive and unselfish aid to Krajina does not mean that you have the right to make decisions about the lives of its citizens" (letter to Babic); "... you do not have the right to subject the 10 million citizens of Yugoslavia to international sanctions..." (letter to the deputies); "... from the standpoint of an obligation to the citizens of Yugoslavia, who have displayed immeasurable solidarity with the Serbian people across the Drina, a solidarity without which the RS could never have been achieved..." (statement to POLITIKA).

Does This Mean That the President Acknowledges Defeat?

By no means. What is more, he is insisting on military victory.

"Tens of thousands of citizens of Serbia (not only Serbs, but all nationalities) responded to mobilization in the JNA [Yugoslav People's Army], which rose up to defend and, as we have seen, succeeded in defending the Serbian people in Krajina..." (letter to Babic); "... the Serbian people has in Bosnia and Herzegovina achieved both equality and freedom and preserved the major part of its territory" (letter to the deputies), i.e., "Thanks to the immense sacrifices of all the citizens of the FRY and of the entire Serbian people and the heroic struggle of the Serbian people in the RS to be free and equal in those areas, that objective has been achieved" (statement to POLITIKA).

What, Then, Is at Issue?

Every war must end sometime. It is a question of the right moment to legalize interests realized in the course of it and also of the exclusive right to interpret them.

"Rejection of protection of the UN peacekeeping forces jeopardizes the most essential interests of the Serbian people..." (letter to Babic); "We reserve the right to decide what is good for our country and the entire Serbian people and what is bad. This is a question of war and peace, and we are therefore choosing peace" (letter to the deputies); "A decision of this weight cannot be based on details, but on the key issue: what is the greatest Serbian national interest at this moment, and on the response—that it is peace" (statement to POLITIKA).

What Is Needed To Realize the Serbian Interest

"Between war and peace, any reasonable man will choose peace" (letter to Babic); "It is a moment for a farsighted and courageous decision that has been well-thought-out" (letter to the deputies); "At this moment, more courage and moral strength is needed to decide for peace than for the war that is going on" (statement to POLITIKA).

It turns out that President Milosevic is the one who is reasonable, thoughtful, farsighted, courageous, and morally strong. Otherwise, it is unthinkable to expect of others something which he himself does not possess.

What Are the Alternatives?

"If you continue to pursue such a policy, you will thrust into war many citizens all over Yugoslavia. And if that policy should persist, then that would also be the same policy with the same consequences as genocide against the Serbian people" (letter to Babic); "The other possibility is an unnecessary war which now (...) cannot bring anything but evil, suffering, and violence to ourselves and others" (letter to the deputies), and "It is the escalation of this war and the sanctions that would signify immeasurable tragic consequences for the entire Serbian people and its historical interests, because it would set it back several decades" (statement to POLITIKA).

What Will the President Do if They Do Not Obey Him?

"Serbia's aid to the people of Krajina will not be in question in peacetime...," but "I believe and hope that the citizens of Krajina will not give you support" (letter to Babic); "The citizens of Yugoslavia, Serbia, and Montenegro have shown the highest degree of solidarity with you, even much greater than their abilities allowed. They will continue to express that solidarity..." (letter to the deputies). As for Slobodan Milosevic's statement to POLITIKA, in many places it points out that the RS could not have been created and maintained without the "immeasurable solidarity with the Serbian people across the Drina." It is interesting, however, that no mention is made of continuation of aid and solidarity, but a turn toward "economic recovery and building up the country," and renewed integration into the international community.

Serbia

Impact of Return to State Ownership Viewed

94BA0395A Belgrade VREME in Serbo-Croatian 15 Aug 94 pp 26-28

[Article by Zoran Jelicic: "Restoration of Party Property: Honest Nationalization"]

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[Text] For two weeks now, since the regulation on revaluation of transformed social property was adopted, hardly a day has passed without public protests, usually from business executives and economics experts. However, the real brouhahas should be expected only in the fall, because the law prescribes this 15 November as the deadline by which all enterprises that arose from social property must calculate how much they have "damaged" society and the state and propose a procedure and deadlines for reimbursing the difference between what they have already paid and what they should pay according to the subsequent desire of the legislators. At this point, it is not possible to even guess what will be included here, because the detailed instruction on revaluation procedure has yet to be prescribed by the Serbian finance minister.

The details of the future haggling, arbitration, and punishment are uncertain at this point, the essence is not in dispute, at least not for almost all those who have spoken out in public: Privatization has been halted, the door has been opened to the return of social ownership and preservation of state ownership. This has done incalculable social damage for a period that cannot be predicted, because the state and social (party) owners have never been more efficient than private owners anywhere. Only the proponent, that is, Zoran Djindjic, who heads the Democratic Party [DS], is talking about justice and honesty, about protecting the people, about how only now will the conditions obtain for true privatization, and he even boasts that he has outwitted the Socialists by accepting their amendment (revaluation indexed to the trend of retail prices instead of the exchange rate of the German mark, as was proposed), which the experts have immediately and persuasively rebutted.

Turning Up the Cards

The Law on Revaluation, which is actually a supplement to the current republic law on transformation of social ownership into other forms, was adopted in the Serbian Assembly on the last working day in July (Friday, 29 July 1994). Slobodan Milosevic, head of the Serbian state, signed the decree promulgating that law the same day. Whoever had to worked over the weekend so that all that could be published in SLUZBENI GLASNIK on Monday (1 August 1994), and the law "took effect" eight days later. The Socialists did not have to use their muscle in the Serbian parliament thanks to Djindjic's Democrats. To be sure, the sponsor offered in the package a law on revaluation and a law on privatization, but the Socialists postponed the second bill for other times. This did not cause Djindjic's Democrats to withdraw the bill on revaluation of transformed social property, just as they have not heeded their economic specialists when they said that they should not take such a bill to the Assembly at all.

Bosko Mijatovic, chairman of the Economic Committee of the Democratic Party, "revealed his cards" after adoption of the law on revaluation when he stated publicly that both he and other experts in the party were against sponsoring that bill. The term "others" must refer above all to Ivan Vujacic and Miroljub Labus, doctors of economic sciences, who so far have not concurred publicly with Mijatovic's views, but neither have they denied his assertions. It is more a matter of guessing, on grounds of petty politics rather than any other, why Djindjic in the end remained a persistent sponsor of such a law. Guesses aside, it is certain that it was easier for the Socialists to have someone else finish the job instead for them, at least initially. Within the SPS [Socialist Party of Serbia], there has been a debate for months about whether to propose revaluation or mitigate the losses from the period of hyperinflation to some extent through taxes and other instruments. So it is not right to criticize Djindjic by saying that his Democrats are like the "democratic wing of the Socialists"—with this retroactive law on revaluation, they might be the opposite wing of the Socialists. A new article has been added to the existing law on transformation of social ownership. Its first paragraph is supposed to read: "The value of social capital as established in the procedure for transformation of social ownership into other forms of ownership over the period since 1 January 1990, and also the value of shares registered for the purpose of the sale of social capital or for the purpose of additional capitalization, shall be revalued in keeping with the regulations on revaluation, in the manner prescribed by the finance minister." This is followed by the paragraph about the deadline for revaluation (15 November) and a number of others prescribing who is to be involved and who is to have what authorization in the upcoming assessments, who is suing whom before what body, and all of this, as befits a serious legislator, is accompanied by precise deadlines for each step in the process. The tight deadlines reveal more the spirit of a crash effort than strictness of government, so that it is more realistic to forecast all kinds of extensions of revaluation proceedings, and, most likely, the complete smothering not only of the competent state agency, but also of the economic courts.

Proving the Already Proven

For the moment, the important thing to emphasize in all this is that the revaluation obligation does not apply to firms which passed from social ownership to state ownership, and that has been the main flow in the "change" of ownership. Second, the supplements to the law prescribe establishment of a new relation between share capital and social capital in cases when shareholders do not consent to pay the difference determined by revaluation. Put in practical terms, this "new relation" between social capital and share capital signifies restoration of the domination of social ownership and self-management. The reasons are numerous, and among them the decisive one will certainly be that up to this point the transformation of social ownership to private ownership has mainly not been accompanied by an inflow of fresh capital from the pockets of the new owners, but rather shares have been distributed to the

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workers either gratis or for minimal money compensation. In the industry of Serbia there are now more than 650,000 such shareholders, but their purchasing power, even before the government robbed them through hyperinflation, certainly was so large that one could expect them to pay tens or hundreds of thousands of dinars or German marks [DM] at this point. At the same time, constant warnings are being issued both by the state agency and other informed parties that the value of certain enterprises has been augmented several times over precisely because of the rapid rise of inflation, so that at this point it would be nonsensical to accept the nominal values. The example which Bosko Mijatovic presented in public was not invented. An enterprise, more small than medium-sized, hired the authorized agency to assess its value. The answer they got was that the firm is worth DM2 million. The official assessment exceeded that amount fiftyfold, but the employees accepted that, because it all took place at the height of last year's hyperinflation. The value was, of course, denominated in domestic currency, so that in the end the workers paid DM4,000 to buy their enterprise. If now they are called upon to pay the "remainder" up to DM100 million, it is clear that they will be left the owners of a few thousandths, and the social owner will enter in the books his nearly 100 million. The only problem in this is that this society is lagging behind precisely because it has been living in the context of its own book values, which were arrived at by its own standards.

Miladin Kovacevic and Miroljub Labus published an analysis of the impact of privatization on the socialized sector of the economy in the July issue of the monthly EKONOMSKI TREND. This is the author's attempt to verify exactly who is right: Is it the economists who say that we should no longer waste time and energy proving that corporate management in private enterprises is more efficient than self-management in socialized enterprises and administrative management in the state ownership sector—or those, mainly in the Serbian Academy of Sciences and Arts, who are reiterating that this superiority of private ownership has not been proven in the example of the Yugoslav economy (this latter thesis is most often accompanied by sighs of longing for the "golden age" of the fifties, that is, for the growth rates of the physical volume of production that occurred at that time)? Kovacevic and Labus measured the attitude of various owners toward the main factors of production and established that there are differences between the mixed and socialized sectors in Serbia and that that difference confirms the hypothesis of the higher efficiency of the private sector even in the case of partially privatized firms, as is the case with the mixed ownership sector.

Legal Uncertainty

Stated most briefly and simply, the researchers concluded that economizing on the firm's property is in first place in the mixed sector and in second place in the socialized sector, while profitability is a more important factor with the first than with the second; the former view working capital as a source of profit, while for the others this is a mere instrument for financing costs and employment.... The final finding runs like this: "In the socialized sector, all costs and revenues are linked up into the first and most important factor, but they are not linked to profitability variables. That is, there are no indications that the business strategy of the socialized sector is aimed at realizing profit. On the other hand, in the mixed sector the cost and revenue variables are distributed among all factors. Among the profitability factors, expenditures for advertising and public relations have particular importance, which indicates once again a different market strategy."

The findings are unquestionably important, but it is possible that the authors of the analysis undertook to prove what has been proven, above all because Governor Avramovic himself has quite often been expressing praise for the socialized sector and calling attention to the dangers of privatization. Similar measurements and research were done in the former socialist Yugoslavia. The best-known findings are those of Aleksandar Bajt and his collaborators at the Ljubljana Economics Institute. Bajt compared the efficiency of investments in two decades (1950-70) between the Yugoslav economy, that is, in the socialized and state sector, and states at approximately the same level of development at the beginning of that period (Turkey, Greece, Spain, Portugal, and Ireland). The main conclusion was this: that the efficiency of capital invested in the Yugoslav economy was equal to the average efficiency achieved by those countries, the per capita national income was threefold greater than it actually was at the end of the second decade, and the purchasing power of the population was fivefold greater than was achieved. The findings were unambiguous, but the government took a different road. It undertook to advance self-management through the society of associated labor and new investment cycles and construction of "locomotives" of development—much like the promises that came this Wednesday in the press release from the meeting of Serbian business executives and ministers with the head of the Serbian state, but there is no point in going into the differences (such as foreign capital, credibility, and so on) at this point.

Which is what the scientists have been arguing every day in connection with individual examples, as have the business executives, that is, directors of enterprises in which social ownership has been more or less transformed. The law on revaluation of transformed social property calls into question all the principles of business operation, from the reliability of contractual obligations to the kind of state that introduces retroactive legal obligations (Branislav Kordic, general director of Pobeda in Novi Sad); it is not just present damage, but also future, because serious work cannot be done in a state where there is no legal security (Rajko Uncanin, general director of Grmec); if we live in a country in which everything is possible, then the best thing is for

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them to tell us that we should all do what Sloba or Mika or some other person tells us to do (Radojko Stanic, who heads Banini in Kikinda); why did they not correct the abuses and irregularities in transformation of social ownership, why is everyone going to be punished (Josif Gnjatovic, director of the Aleksinac factory Frad); return of social capital to the factory will threaten efficient business operation, the worker-shareholders are behaving quite differently from worker—self-managers, and it is not clear who prefers to have a socialized factory operating at a loss and general legal uncertainty over business expansion and a rise in the standard of living (Miladin Tica, assistant director of Sintelon); the state ought to be more interested in whether enterprises are respecting the laws and above all their tax obligations (Momcilo Radojcin, director of Polet in Novi Becej)....

Damage

The emphasis on taxes is no accident, because the managing directors usually point to tax evasion as a source of greatest earnings, and they ask in almost a chorus what about the gain of the state in last year's hyperinflation; that is, the loss to the economy and the public, which is no less than $2.5 billion, according to the estimates of Pavle Petrovic, professor in the School of Economics at Belgrade University.

Goran Ilic, who owns the enterprise Goma, stands out strikingly from this kind of chorus in his brief answer to a newsman's question: "We will pay everything the agency asks for." The owner of this successful firm, which took over Ineks 22 Decembar after privatization, appears in public very rarely. Aside from the statement referred to, it has also been recorded that he attended the meeting to which Slobodan Milosevic referred.

In short, it is hard to find a persuasive argument against the assertion that great damage has been done by the law on revaluation of transformed social property. The damage is not confined to legislative introduction of illegalities through a regulation that has retroactive effect. It will increase, as many fear, if the application of the law features everyone's discretionary rights to collect or not to collect a difference, that is, to drive certain firms or protect certain others from the obligation of computing the differences between the amount paid and the amount the state is asking.

The state will not get the money anticipated, because people either do not have it or they will not invest their capital in that kind of business and legal environment. As for the fairness of this change of direction, explanations will remain a lasting obligation of Zoran Djindjic, and in connection with his statement that equating revision with nationalization is the height of cynicism we remind our readers of Djindjic's argument that BORBA is waging a campaign against the law and the Democratic Party precisely because privatization in that firm is an example of abuse, and we leave it to them to estimate who is more inclined to cynicism.

Situation in Pozarevac, Milosevic's Birthplace

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[Article by Dragan Todorovic: "On the Spot: Pozarevac: Birthplace of Power"]

[Text] The name Pozarevac has been written since 1476. Sometimes even in big letters, as in 1718, when somewhere here the Pozarevac peace was signed between Austria and Turkey (the time for capital letters is here again, but we will leave that to the chroniclers of history). The city was formed in the time of Prince Milos Obrenovic, who selected it for his second capital. At that point, it got a square, quite a few buildings, a horse-breeding stable (now Ljubicevo), but also a prison. As a university for revolutionaries, the prison also brought progressive ideas, so that in 1904 the first organization of the Social Democratic Party of Serbia [SDSS] was formed in Pozarevac. The monarchist traditions were strong, but nevertheless it all turned around in '41, "when Moma Markovic, member of the PK [expansion not given], was delegated to Pozarevac to prepare for a popular uprising." Later came the liberation struggle with admixtures of civil war, socialist construction, holding Mira and Sloba by the hand, the sanctions—and Pozarevac returned to where it was. One indication of that is that instead of the Ljubicevo horse show, it has real races in which the heir, Marko Milosevic, drives through the streets of the city. Another advantage it has is that Mira Markovic's "family" house is here, to which the Milosevic's come for a rest, to refresh recollections, but also to anticipate the future. Not only their own, one must assume, but also the future of Pozarevac and the future of the citizens of Serbia, both of them being concerned with matters of state.

Left-Wing Ministers

In spite of these predispositions, Pozarevac seems at first like a provincial town. The vomit in the buses, the great number of bars and restaurants of the same quality, and the in-betweens, guest workers, smugglers, dealers, and what is left of the working people crowding the streets contribute to that impression; the parks have been trampled until the grass no longer grows: The main street has monotonous rows of long four-story apartment houses; the streets are dusty, and all the stores have the name Ceba.... On the other hand, Pozarevac has a department store in the center, a flea market regularly surrounded by inspectors and police, an exchange where you go to hire musicians for a wedding, a black market for foreign currency which has the highest exchange rate for the German mark, permanent residents of the bars, who actually are dealers, who went crazy when the dinar was driven to stability, the former boxing champion Stevan Mirkovic, who is not giving up an attempt at a comeback to regain his throne, left-wing ministers who are on the throne, and the prison in Zabela.... There are no traffic lights, presumably because pedestrians prefer it that way, and they have not restored the birthplace of

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Davorjanka Paunovic, so that people would not be shaken into thinking about Broz, and also because of other associations and analogies.

Of course, there is both an opposition that is reacting and a government that is acting.

The opposition in Pozarevac was among the first to be established in Serbia and is still holding on. The government, represented by the SPS [Socialist Party of Serbia] had no need to establish itself, as shown by the '92 local elections in Pozarevac [as published] Leskovac happened. In an assembly of 68, the 58 Socialists are reinforced by four "independents." The opposition explains the results in terms of disunity and "subjective shortcomings," while the government merely observes "that the people know who is who."

Where Is the Picture

Kosta Jerinic (age 31), the youngest opstina president in Serbia, says himself that the changes for the better in Pozarevac started in February of last year. He might as well have said that it is since he has been president. And he offers the reason why: "Pozarevac is unified by what Serbia possesses. Farming, the food processing industry, and energy." And Pozarevac really does have all of that, with Kostolac, which belongs to it. Jerinic says that industry is operating here (Bambi and MIP), that there have been no halts in the work of the social services, that the water supply problem is being solved, that new construction and even investments are starting up, among them the bypass and a heating system project worth 19 million dinars, which already has priority with the republic government. All of that, he says, is because Pozarevac has the smallest remainder of collected tax revenues. Which is why, in his opinion, the public is living above the average.

"Earlier, by contrast with others, Pozarevac was investing in the economy, not in the infrastructure and the city's appearance," the president explained in his office, which is in the right wing of Milos' Building, which covers a hectare. That is why, in the president's opinion, the time has come for the city to pay the bill for its "mistakes" and enter a period of intensive development, which Serbia's new land-use plan enables it to do. In this connection, the president told us in confidence that Pozarevac is getting an important new higher educational institution and that this is a done deal (because this is a confidential matter, we put it in parentheses, the reference is to the Military Academy).

While we examined the carving on the solid wood furniture, we asked Jerinic whether Pozarevac had privileges compared to other cities in view of the fact that Mr. Milosevic.... Jerinic tried to argue the opposite. "And where is the president's picture?" we asked. Catching on to the question immediately, the opstina president offered the response "that the president's picture is not part of the official features of the office."

And when we asked him about the opposition, Jerinic replied only that he reacts to its objective observations, not to those which are tendentious. The "rumors" about changes in leaders disloyal to the party are also tendentious, so that the president did not want to comment on them.

Aware of the pluses and minuses of operating in the native city of the government, the opposition mainly keeps company, while the government regularly takes full responsibility for the bad things it says about it.

The informal office is the little cafe Studio, which belongs to the architect Sasa Isakovic, who is also the secretary of the SPO [Serbian Resistance Movement]. A sign is posted that "Smoking and Political Discussions Are Prohibited." Because the word "Smoking" had been crossed out, we were ready to begin. Isakovic, Slavoljub Matic (DSS [Democratic Party of Serbia]), and the politically uncommitted Boban Miskovic responded to President Jerinic by saying that Pozarevac is developing and being built only on paper; this is illustrated by the bypass, which has been "under construction" for 20 years. And how well are people living? They refer to the last action of the local Spona [Link], this past March, when the public waited in lines kilometers long for some of the foodstuffs. Our informants also said that there is no contact whatsoever between the government and the opposition, that in their assessment the local government is unfit to run the city, above all because of the situation in the SPS, "which is pulled apart by two currents—the ethnic current and Mira's left." The most recent changes in personnel, they say, have to do with this. The president of the SPS and the chief administrator of Branicevo District have been changed, and even the opstina president is not safe. According to the opposition, all of Mira's people from Pozarevac, a group that is expanding, are on the front cover of VREME, which was "removed" from the party given by the left wing in the Sava Convention Center. They are adding to the list. We have Miroslav Miskovic, the new district chief administrator, Dobrica Stepanovic, director of Brodarstvo [Shipping], Bogoljub Jovanovic, sugar mill director, Rade Milanovic, secretary of the Cooperative Alliance, Vlajko Stojiljkovic, president of the Economic Chamber of Serbia, the left-wing ministers Leposava Milicevic, Dragan Kostic, and Andreja Milosavljevic, Dragoslav Jovanovic, the new minister with the EU the new president of the SPS, Milisav Milenkovic, secretary of the Federal Assembly....

On the other side, the loser's side, are Miroslav Sretenovic, the former district chief administrator, and the deputies: Darko Nikolic at the republic level and Veljko Albunovic at the federal level.

Pretty as a Picture

The public is (dis)informed about everything we have said over the radio-news JIPA (public information enterprise) "Rec Naroda" [The People's Word]. This medium in Pozarevac is the first to become public, which is to

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say, government-controlled, in Serbia, and it is now communicating with the people publicly and properly, which is also in the general, which is to say public, interest. Private newspapers are also being established to please the public still more. Even in color if it has a permit. "SVATOVAC," for example, which costs only 6 dinars and has no problems with either its circulation or its sales. Because Pozarevac is a well-known area for guest workers and one where weddings, christenings, and send-offs to the armed forces last as long as a night at the North Pole, the people have been given an occasion to commemorate their festivities, for which they pay tens of thousands of marks and hundreds of thousands of schillings, in their own newspaper. For their own money, of course.

So, everything is in tune. To such an extent that some in Pozarevac are worried that their countryman Milosevic might suffer the fate of Kim Il Sung. Not for his sake, but for their own. They say that they have gotten to know the heir Marko quite well; as his mother referred to him on his birthday, he has been training here to be a perpetual Peter Pan.

[Box, p 32]

No. 33

Pozarevac does not have a Tolstoy Street, but it does have a Nemanjina Street, and a No. 33. That is the home of the Milosevic family (well-informed people say that at one time it was the house of Vojvoda Milenko Stojkovic, and then became the legacy of Mira Markovic through nationalization or some other "transformation").

We approached the large green metal gate, which had a sentry box on the left. A policeman appeared who said that we could not go in. Nevertheless, getting up on our tiptoes, we did peer over the fence: A large walnut tree at the entrance blocks the view to some extent, far inside is quite an old one-story Sumadija house, an extensive yard with "natural" grass, quite a few trees. "Who comes?" we asked. "They come when they come," the policeman replied. "How about letting us go in for a bit?" We did not give up. "Come with the president, and let him show you," said the sentry.

We later learned that behind the house, on the site of the former barn, there is a small concrete runway on which the president lands. Some say he lands, others say he does not. There is some question, so we take note of it.

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